

## 2003 BUDGET

### SUMMARY OF REVENUE POLICIES - TAXATION

- ◆ Value Added Tax rate increased from 10% to 12.5%;
- ◆ Postponement of the corporate and personal tax rates reduction from 32% to 30%;
- ◆ Income tax threshold increased from \$6,500 to \$7,500;
- ◆ Tax exemption on proceeds received in respect of alimony and maintenance payments;
- ◆ Tax exemption on non-resident pensions;
- ◆ Tax exemption on all lump sum payments derived from an approved superannuation or retirement scheme;
- ◆ Tax deductibility of contributions to FNPF and other approved superannuation schemes by self-employed persons to be increased up to a maximum of \$1,500;
- ◆ Tax deductibility to be allowed on additional contributions to FNPF in excess of the basic minimum statutory contribution made by the employers on behalf of their employees;
- ◆ Payment of provisional tax in one instalment for any amount owing up to \$120;
- ◆ All information provided by third parties to the Inland Revenue Department may now be required in electronic format;
- ◆ Garnishee action on defaulting taxpayers to commence after 30 days of the debt becoming due and payable;
- ◆ Export Income Deduction will not be available in respect of re-exports;
- ◆ The legislation will be amended to ensure that the 150% deduction under the Employment Taxation Scheme is restricted to salary and wages paid in respect of a 12-month period;
- ◆ The Film Making and Audio Visual Incentives legislation will be amended to clarify that the production of computer software, interactive websites and other e-commerce and telecommunications operations will not be accorded a tax deduction under these provisions unless they are directly in connection with audio visual productions; The legislation will also be reviewed to encourage non-resident investment;
- ◆ Introduction of a Tax Agent Lodgement Program by FIRCA;
- ◆ The advance company tax payments will be increased to 100% payable in 3 instalments;
- ◆ 100% tax deduction will be allowed for contributions up to a maximum \$50,000 made to the Rakavi Trust;
- ◆ Increasing the amount that is neither refundable nor payable under the Income Tax Act from \$2 to \$5;
- ◆ Deemed tax paid will be incorporated into the formula for excess tax credit in Regulation 7 of the Dividend Regulations. Dividend Exemption System will also be reviewed;
- ◆ Review of the Companies Office (already commenced);
- ◆ Intention of FIRCA to establish a Customer Services Centre;
- ◆ **Hotels Aid Act** will be amended to overcome bureaucracy and expedite the approval process; Two further amendments to the Act will:-
  - ⇒ ensure that the Hotels Aid Investment Allowance is claimed only once; and
  - ⇒ clarify that hotel owners can carry forward losses in respect of Hotels Aid Investment Allowance for a period of 13 years, which is an additional 5 years to the normal loss period of 8 years;
- ◆ **Value Added Tax Decree** will be amended to restrict taxpayers to claim VAT refunds for dwelling house only once. A further amendment will ensure that Vat refund from the dwelling house, if any, would first be offset against any other tax liability;
- ◆ All general insurers, agents and brokers will be subject to VAT from 1st January 2003; and
- ◆ Details on Customs and Excise changes are contained in the 2003 Budget Supplement.