



FALKLAND ISLANDS GOVERNMENT TAXATION OFFICE



P.O.A.T. (PAYMENTS ON ACCOUNT OF TAX) SYSTEM A GENERAL GUIDE

1. INTRODUCTION

These notes are intended to assist employers and their employees in operating the POAT system. New businesses need to be aware of their obligations to account for POAT, and are advised to study this document and the relevant regulations. This guide has no legal force and for detailed guidance reference should be made to the Taxes Ordinance 1997 s83-96, and the Payments on Account of Tax (Employees' Deductions) Regulations 1997 (as amended by the Payment on Account of Tax (Amendment) Regulations 1999).

2. GENERAL SCOPE OF POAT SYSTEM

POAT must be applied by all employers to *all* remuneration paid to employees or former employees (this includes directors). The only exceptions to this general rule are:

- Pensions or annuities
- Some payments to part time employees (broadly defined for a monthly paid employee as less than 60 hours/month and for a weekly paid, less than 15 hours in that week and less than 84 hours in the past 4 weeks. This covers *all* employment carried on by the individual concerned).

Example 1

Pat works 10 hours each week for Lady Ltd and 8 hours each week of Elizabeth Ltd. As her total hours each week exceed 15, both Lady Ltd and Elizabeth Ltd need to account for POAT on her salary.

It should be noted that non-resident employers are also within the scope of POAT as are non-resident employees. Employees working in connection with oil exploration and exploitation activities in a designated area are within the scope of POAT.

POAT is not tax in itself, but merely a payment on account. Once the individual concerned has submitted his Tax Return, any excess POAT over his actual tax liability will be refunded. If there is further tax to pay over and above the POAT, an assessment will be issued.

3. POAT DEDUCTIONS

Employers should normally use one of the tables provided to calculate the POAT deduction needed. Separate tables have been compiled for employees paid weekly and monthly.

Employers may use the formula shown in Regulation 5 if they find this easier than using the tables.

More than one source of remuneration (including directors)

3.1 Where an employer has an employee with more than one job he must seek guidance from the Taxation Office.

Tax Free Salaries

3.2 Where an employee receives 'free of tax' remuneration, the formula in regulation 10 must be operated.

4. NON-RESIDENT EMPLOYEES

A flat rate POAT deduction of 20% should be made from this category's remuneration. The employee can either accept this as their final liability to Falklands Tax or alternatively submit a tax return.

5. PAYMENT AND RETURNS

The employer must submit a POAT return for each calendar month by the 14th of the following month together with payment for that month's POAT. If there are wages/salary but no POAT a return is still required or if during the year at anytime you do not have any employees a nil return needs to be submitted.

An annual return of POAT is also required and this in addition requires details of taxable benefits-in-kind to be entered onto a separate sheet. A separate guide is available for benefits-in-kind. The annual returns have to be submitted by the 2nd of February in the following year to which the income relates.

Within 7 days of the employee leaving, the employer must provide the employee and the Taxation Office with a Certificate of Tax Deducted showing their total remuneration and POAT deductions made in that year.

Interest and penalties may be charged in the event of the employer not fulfilling these obligations. POAT is a preferred debt in the event of the employer becoming insolvent.

The Employer should also note that there is an automatic penalty of £50 for late POAT returns. A penalty equal to any unpaid POAT can also be charged if payment is not received within the 14 day time period.

6. NEW EMPLOYEES

The employer must notify the Taxation Office within 7 days of any new employee by completing and submitting a 'Notification of New Employee'

Form. If you do not know the employee's Tax Identification Number (TIN) or if one has not yet been issued, leave the relevant section of the form blank and the Taxation Office will provide you with one.

7. MISCELLANEOUS PROVISIONS

POAT must be applied where a payment of remuneration is made. Section 94 sets out when "payment" is deemed to have been made in various circumstances. Certain employers may need to heed the provisions of sections 84 to 86.

8. CONTACT POINTS

8.1 Any enquiries concerning Payment on Account of Tax (POAT) should be sent to:

| | | |
|------------------|--------|-------------------------|
| Ken Eccles | Tel: | (+500) 27288 |
| Taxation Officer | Fax: | (+500) 27287 |
| | Email: | Keccles@taxation.gov.fk |

Taxation Office
St. Mary's Walk
Stanley
Falkland Islands

8.2 Any enquiries concerning Retirement Pension contributions should be sent to:

| | | |
|------------------|--------|------------------|
| Nigel Dodd | Tel: | (+500) 27010 |
| Pensions Officer | Fax: | (+500) 27144 |
| | Email: | ndodd@sec.gov.fk |

Falkland Islands Treasury
Thatcher Drive
Stanley
Falkland Islands

Appendix

Summary of current FI tax legislation, amending legislation and regulations

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| 1. The Taxes Ordinance 1997 | (No. 14 of 1997) |
| 2. Income Tax (Annual Values) Rules 1997 [Rules as to taxation of benefits-in-kind provided by employers] | (No. 21 of 1997) [Gazette No.28/1997] |
| 3. Income Tax (Apportionment of Deductions) Rules 1997 [Rules for determining proportion of deductions available to certain individuals] | (No. 22 of 1997) [Gazette No.30/1997] |
| 4. The Payment on Account of Tax (Employees Deductions) Rules 1997 | (No. 23 of 1997) [Gazette No.29/1997] |
| 5. - As amended by the Payment on Account of Tax (Amendment) Regulations 1999 [Regulations providing for operation of POAT scheme] | (No. 35 of 1999) [Gazette No.23/1999] |
| 6. Taxes (Falkland Islands Pension Scheme) Ordinance 1997 [Providing for tax relief for payments into the new FI Pension Scheme] | (No. 21 of 1997) [Gazette No.31/1997] |
| 7. Taxes (Amendment) Ordinance 1998 | (No. 26 of 1998) [Gazette No.31/1998] |
| 8. Taxes (Amendment) Ordinance 1999 | (No. 13 of 1999) [Gazette No.18/1999] |
| 9. Taxes (Amendment) (No. 2) Ordinance 1999 | (No. 16 of 1999) [Gazette No.23/1999] |
| 10. Taxes (Recognised Stock Exchanges) Order 1999 | (No. 18 of 1999) [Gazette No.13/1999] |
| 11. Taxes (Amendment) Ordinance 2000 | (No. 13 of 2000) [Gazette No.14/2000] |
| 12. Taxes (Amendment) (No.2) Ordinance 2000 | (No.14 of 2000) (Gazette No.14/2000) |
| 13. Taxes (Amendment) Ordinance 2002 | (No. 23 of 2002) |
| 14. Taxes (Amendment) Bill 2003 | (No. 23 of 2003) [Gazette No. |
| 15. The Taxes (Excess Benefits) Rules 1994 | (No. 30 of 1994) [Gazette No. 30/1994] |
| 16. Taxes (Benefits in Kind) Rules 2003 | (No. 27 of 2003) |
| 17. Taxes (Benefits in Kind)(Amendment) Regulations 2004 | (No. 2 of 2004) [Gazette No. 3, Vol. 15] |
| 18. Taxes Extra Statutory Concessions | [Gazette No. 3, Vol. 15] |
| 19. In addition, the Falkland Islands has a Double Taxation Agreement with the UK. There are no other Double Taxation Agreements in existence or being negotiated | (No. 37 of 1996) [Gazette No. 29/1996] |

Copies of the above can be purchased from the Secretariat, Stanley or the Taxation Office, Stanley.

20. **The Retirement Pensions Ordinance 1996**
21. **The Retirement Pensions (Amendment) Ordinance 1998**
22. **The Retirement Pensions (General Provisions) Regulations 1996**
23. **The Retirement Pensions (Prescribed Rates) Regulations 1996**

Copies of the Retirement Pensions legislation and regulations may be purchased by contacting the Pension Office in Stanley.
