



## FALKLAND ISLANDS GOVERNMENT TAXATION OFFICE



### Tax Guide for Farmers for the Tax Year 2010

The following is a summary of the Falkland Island Tax system for the self-employed farmer i.e. those farms that are not run as limited companies. If you need to contact the Falkland Island Government Taxation Office (FIGTO) then our details are shown at the end of this summary.

Taxation and RPC can affect farmers in a number of ways:

1. Your own tax affairs
2. Your own RPC contributions
3. The tax and RPC of anyone that you employ
4. The reporting rules for contractors that you use

#### How Tax Affects You as a Self Employed Farmer

The following also applies to your business partners if you are farming in partnership. If you are self-employed then the profits that your business makes are taxable. Therefore you need to draw up business accounts every year to work out what your profits are. You will need to keep your books and prepare accounts for other reasons. You may need them for grant purposes or if you wish to apply for a loan.

Your accounts should be based on your business records. Business records should keep details of your income and your expenditure. It is up to you how to keep these records but FIGTO recommends that you keep books regularly and in as much detail as possible. Your accounts should normally be for the 12 months to 31 December each year. You may find the Agricultural Department booklets on bookkeeping helpful. Once you have prepared your accounts you need to adjust the profit or loss to take account of what is or is not allowable for tax purposes.

You then need to send these accounts (with the tax adjustments) to FIGTO every year as a part of your tax return by the 30<sup>th</sup> of June in the following year.

#### Accounts

Although the Tax Office staff are happy to help with a person's tax affairs it is not FIGTO's job to prepare accounts or give tax advice. You should consider obtaining professional advice.

### What should I include in my accounts?

Your accounts should show your business income and your business expenses. The difference between the two is your profit, but this still may need to be adjusted for tax purposes.

### Income

Your accounts should incorporate all the business income earned by you in the year. This will include:

- Any items sold, even though you have not received the money yet;
- Any cash sales;
- Any general agricultural grants or subsidies that you receive;
- Sales of any livestock;
- Any stocks that you take for your self should normally be included as income.

Your business income will not include:

- Sales of “capital items”, such as equipment, land or buildings. These are dealt with separately – see our Depreciation Allowances guide;
- Agricultural grants given for the purchase of specific capital equipment. Again, see our guide on Depreciation Allowances;
- Any employment income. For example squidding work or road gang work for FIG. This should be included in your tax return on the “employment income” section and not as a part of your business accounts.

### **Expenses: What Can I Claim?**

#### General Rules

There are some general rules of what you can and cannot claim as a business expense for tax purposes. You can only claim a tax deduction for business expenditure that is wholly and exclusively for business purposes. This means you cannot claim for private costs. For example you *cannot* claim for:

- Any money *you* take out of the business (your ‘drawings’);
- Personal telephone charges;
- Private vehicle running costs;
- Your own retirement pension contributions; these costs are allowable elsewhere on your tax form and should not be included as a business expense;
- Capital costs: tax relief for capital items such as machinery, vehicles and buildings is given by way of depreciation allowances. Capital items are assets that you keep in the business e.g. farm machinery, buildings etc. as opposed to items that you sell to make money from e.g. wool.

### Special Cases

The cost of Livestock replacements can be deducted in your accounts as an expense. Although if the replacement is also an improvement on the quality of the previous animal then only a part of the cost can be deducted, the replacement expense. The 'improvement' part is not allowable as a deduction.

### Depreciation Allowances

Further information on depreciation allowances is available on request from the Taxation Office.

### Other Tax Reliefs:

Training - You can get extra tax relief for the costs of training your employees or yourself. You can deduct 1 ½ times the actual costs.

## **You as an Employer**

You have a number of tax obligations as an employer. A brief summary of these duties is as follows. More details can be obtained from FIGTO. If you have not employed recently then contact FIGTO and we will send you an Employers Pack giving you all of the forms and detailed instructions you need.

### If you take on an employee

If an employee starts to work for you then you need to tell FIGTO. Fill in a New Employee form (EMP-03) and return it to the FIGTO within 7 days from the start of the employee's employment.

### Every Payday

If the wages you pay are over a certain amount or the employee has main employment elsewhere then you must deduct tax – Payment on Account of Tax (POAT) - from the wages and pay this POAT to FIGTO. POAT deducted in one month should be paid to FIGTO by the 14<sup>th</sup> day of the next month. You also need to give us the pay and tax details of your employees by the same date, the 14<sup>th</sup> of the next month. FIGTO can supply the forms for this in a paper format or also on a computerised format. FIGTO will also supply the Tax Tables that you need to work out how much tax to deduct from the wages.

Please be aware fines will be imposed for late filing of POAT returns and late payments, £50.00 for each. Also, returns are required if you pay wages and no POAT is deducted or if you have no employees during part of the year.

### When an employee leaves

If an employee leaves you have to tell us within 7 days after your employee leaves. You should give the employee a tax deduction certificate summarising the pay and tax details so far that year. You should send a copy of this summary to FIGTO.

### End of the Year

At the end of each year we will send you a form for you to summarise the wages paid to *all* employees you had during the year, not just those that had POAT deducted. This form has to be completed and returned to FIGTO by the 2<sup>nd</sup> of February of the following year to which the income relates.

### Other

If you are in doubt about whether someone is an employee or self-employed then contact FIGTO.

FIGTO charge penalties and interest if the POAT returns and payments do not reach us on time.

### RPC and Your Employees

If you have employees then you may have to pay RPC for them (Employer's Contribution) and also deduct RPC from your employees' wages (Employee's contribution).

Please contact the Pensions Office to check the rules and rates for the contributions. The RPC payments should be paid at the same time and in the same way as any POAT would be. See the rules above about POAT.

### **You and Payments to other Individuals**

At the end of the year FIGTO will send you a form for you to report the amounts paid by you to other Individuals during the year. This will **not** include payments to employees, Ltd companies or PLC companies. Some examples of Payments to other Individuals are:

- Someone from whom you purchase eggs
- A private person who charges for transport of wool or supplies
- Shearing contractor

**This will be sent to you at the same time as we ask for the summary of the payments made to your employees during the past year.**

### **Allowances for Income Earned in the Year Ending 31 December 2010**

Limit for POAT (per person)	£1,167 per month or £269 per week
Personal Allowance	£14,000

(Note: the above thresholds are based on an individual who is tax resident and/or ordinarily tax resident in the Falkland Islands)

## **Changes for 2011:**

**Personal Allowance** - with effect from 1<sup>st</sup> January 2011 the personal allowance decreases to £12,000 and the 21% bracket decreases to £12,000

**Medical Services Levy (MSL)** – a MSL (1% on employees, 1.5% on employers and 1.5% on self-employed) has been recently proposed and may come into force from 1<sup>st</sup> January 2011, however this tax has not yet been legislated.

***Note: This is a brief summary of the law and practice at the time of writing. It is not binding in law and does not affect your rights of appeal. You should bear in mind that the information offers general guidance on how the rules apply, but whether the guidance is appropriate in a particular case will depend on all of the facts. You should therefore consult the Taxation Office or the Treasury on how the rules apply in your own case.***

**If you have any queries on Retirement Pension Contributions (RPCs) and pensions please contact the Pensions Office at the Treasury and not the Taxation Office.**

### **Contact Points**

FIG Taxation Office (FIGTO)

St Mary's Walk  
Stanley

Tel: +500 28470

Fax: +500 27287

Email: [general@taxation.gov.fk](mailto:general@taxation.gov.fk)

Retirement Pensions Board of  
Management

The Treasury  
Stanley

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Email: [ndodd@sec.gov.fk](mailto:ndodd@sec.gov.fk)

Opening hours:

Mon - Fri 8am – 12noon  
(closed 8-10am Tues)  
1pm – 4.30pm