



A General Guide to Falkland Islands Taxation for Individuals

1. Introduction

This brief guide to the Falkland Islands (FI) tax system is aimed at private individuals. In order to be of the greatest practical use it is written in general terms. It should be read in conjunction with the Taxes Ordinance 1997 and associated legislation and Regulations.

Readers familiar to the UK tax system may notice similarities in the FI legislation. It is modelled on the UK rules. However, there are differences, both of substance and in drafting and it is best therefore to treat the FI system as a totally different regime.

All references are to the Taxes Ordinance 1997, unless otherwise indicated.

Details of allowances etc are correct for the tax years 2009 and 2010. The annual tax year is 1st January to 31st December, submissions are required by the 30th of June in the following year for Individuals.

2. What taxes are there?

The two main taxes are income tax and corporation tax. The Falklands do not have any wealth taxes, death duties, import or export taxes, sales tax, VAT or stamp duties. There is no general tax on capital gains.

Employers are required to withhold POAT (Payments on Account of Tax) from employee remuneration (see point 3 over page).

There are no withholding taxes except for a 10% tax on royalties paid to non-residents (Section 61).

Credit will normally be given for foreign taxes either unilaterally or through the one Double Taxation Agreement, with the UK. Proof of foreign tax paid will be required.

Note: a Medical Services Levy (1% on employees, 1.5% on employers and 1.5% on self-employed) has been recently proposed and may come into force from 1 January 2011 however this tax has not yet been legislated.

3. Employee taxation

Individuals are taxed at the following rates, after taking into account allowable deductions:

First £13,000	@ 21%
Rest	@ 26%

Husband and wife are taxed independently.

The Personal Allowance (PA) is £13,000 for the tax year 2009 and increases to £14,000 for 2010. The PA may be apportioned, please see point 4 below.

Note: with effect from 1 January 2011, the Personal Allowance decreases to £12,000 and the 21% bracket decreases to £12,000.

There is a system of withholding sums (POAT - *Payments on Account of Tax*) from employee remuneration by employers. These are set out in detail in the Payments on Account of Tax (Employees Deductions) Regulations.

Non-residents should have tax deducted at a straight 21%, they can claim any PA entitlement in their individual tax return.

Resident individuals should have tax deductions made according to the monthly/weekly tax tables which take into account the PA.

There is limited taxation of benefits-in-kind, these are set out in detail in The Taxes (Benefits in Kind) Rules. There is a separate guide available on Benefits In Kind.

4. Tax residency

An individual's entitlement to allowances/deductions and chargeable income depends on their residency position for tax purposes (please note that this differs to residency for immigration purposes).

Resident – basically present in FI for a total of 183 days or more during the relevant tax year.

Ordinarily resident – repeatedly resident in FI except for a temporary absence (not exceeding 2 complete tax years)

Individuals resident and/or ordinarily resident for tax purposes are assessed on their worldwide income, are entitled to the full PA and may claim a deduction for certain pension/retirement benefit schemes, subscriptions and charitable donations.

Individuals who are neither resident nor ordinarily resident are assessed on income from within FI and/or for duties performed in the FI and are only entitled to a proportion of the PA according to the number of days they were present in the FI during the relevant tax year.

Employees working offshore in the designated area in connection with exploration or exploitation activities are treated as performing those duties in the FI.

5. Tax exemptions

Section 57 sets out various items of income and categories of taxpayers who are exempt from FI taxation. One particular exemption relates to *bank interest arising in the Falkland Islands*.

Note: as from 1 January 2011, allowances payable under the Family Allowances Ordinance will no longer be exempt and will be subject to income tax.

6. Contacts

The tax office is situated in the yellow Portakabin behind the Malvina House Hotel, and can be accessed off St Mary's Walk or Cable Street.

Please contact our office if you have any enquiries concerning taxation.

FIG Taxation Office	Tel:	(+500) 28470
St Mary's Walk	Fax:	(+500) 27287
Stanley	Email:	general@taxation.gov.fk
Falkland Islands	Opening	Mon-Fri 8am - 12noon, 1 - 4.30pm
FIQQ 1ZZ	Hours:	(closed until 10am Tues for staff training)

Any enquiries concerning Retirement Pension Contributions (RPCs) should be sent to:

Nigel Dodd	Tel:	(+500) 28415
Pensions Officer	Fax:	(+500) 27144
	Email:	ndodd@sec.gov.fk

Falkland Islands Treasury
Thatcher Drive
Stanley
Falkland Islands
FIQQ 1ZZ