



**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 for 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 21% 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.

Where an employer pays the POAT on behalf of the employee the amounts paid to the employee need to be grossed up for tax purposes so that the actual amount received by the employee is net of tax.

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.

Failure to submit the form within the time period incurs a £50 penalty for each return that is late.

Failure to pay the POAT due within the deadline can render the employer liable to a penalty equal to the amount of the POAT due and paid late.

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 their employment, 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. If the employee is still employed at 31 December that certificate has to be sent to the employee and Taxation Office within 31 days of the end of the 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 and another automatic penalty of £50 for late payment.

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:

Taxation Officer	Tel: (+500) 28470
	Fax: (+500) 27287
	Email: kdrysdale@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	