FALKLAND ISLANDS GOVERNMENT TAXATION OFFICE

POAT (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.

2. General scope of the 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 60 hours in the past 4 weeks. This covers *all* employment carried on by the individual concerned).

  Example - 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 their Tax Return, an assessment will be issued to refund any excess POAT over their actual tax liability, or collect any further tax to pay over and above the POAT (note Point 4: Non-resident employees).

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.

3.1 More than one source of remuneration (including directors)

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

3.2 Tax Free Salaries

Where an employee receives 'free of tax' remuneration, the employer is responsible for grossing up the net amount before tax is calculated.

4. Non-resident employees

A flat rate POAT deduction of 21% for Income Tax should be made from this category's remuneration. The employee can either accept this as their final liability to Falkland Islands (FI) tax or alternatively submit a tax return (available on request from the Taxation Office). 31st December 2021 is the tax return submission deadline for an employee wishing to claim a repayment of excess taxes deducted from their 2020 employment income.

If a tax return is completed, the employee will be able to claim a proportion of personal allowance against the earnings (full annual rate £15,000 for Income Tax) based on the number of days present in FI during the tax year. This allowance will reduce the amount of income on which tax is due and may therefore lead to a partial tax refund. Income above the allowance will be charged:

Income Tax – first £12,000 at 21% and balance at 26%

Depending on income levels, filing a tax return can therefore result in an additional tax liability if sufficient income becomes liable to the 26% rate.

Example - an employee present in FI a total of 126 days during the tax year 2020 and earned £50,000 from which POAT was deducted, £10,500 for Income Tax and £500 for MST. Compulsory Retirement Pension Contributions (RPCs) of £266 were also deducted.

The employee decides to submit a 2020 tax return and therefore his tax liability is calculated as follows:

	Income Tax
Earnings liable to FI tax	50,000
Less relief for compulsory RPC's - IT only	(266)
Less Personal Allowance:	
For Income Tax £15,000 x 126/365	(5,178)
Taxable Income	**£44,556**
Income Tax liability	
£12,000 at 21%	2,520.00
£32,556 at 26%	8,464.56
Total Income Tax due	**10,984.56**
Less deducted at source	(10,500.00)
Additional liability	**£484.56**

If the employee had not submitted a tax return, the deductions at source would have settled their FI tax liability.
UK resident employees should note that any refund of POAT resulting from submission of a tax return may reduce the tax credit available to them under the Double Taxation Relief Arrangement between the UK & FI. Other countries with which FI do not have Double Taxation Agreements may also reduce the credit.

5. Employer MST

With effect from January 2018 the MST rate for both employees and employers has been set at 0%.

6. 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 late return.

Late POAT payments accrue interest. In addition, failure to pay POAT (Income Tax) due within the deadline can render the employer liable to a penalty equal to the amount 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 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.

7. 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 the employee's Tax Identification Number (TIN) is unknown or not yet issued, leave the relevant section of the form blank and our office will provide you with one.

8. Miscellaneous provisions

POAT must be applied where a payment of remuneration is made. Certain employers may need to heed the provisions of sections 84 to 86.

9. Contact points

Any enquiries concerning **POAT** should be sent to:

Taxation Office
St Marys Walk
Stanley
Falkland Islands

Public opening hours Mon to Fri, 9am – 12 noon
Tel (+500) 28470
Email general@taxation.gov.fk

Any enquiries concerning **RPCs** should be sent to:

Pensions Office
Treasury, Secretariat
Thatcher Drive
Stanley
Falkland Islands

Tel (+500) 28416
Email Pensionsclerk@sec.gov.fk or DAldridge@sec.gov.fk