



## Leaving the Falkland Islands

### What you need to do for Tax purposes

#### **Introduction**

This leaflet explains how you can finalise your tax affairs with the Falkland Islands (FI) or if you are still required to submit FI tax returns.

#### **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** – 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

#### **Income Tax - Entitlement to allowances/deductions and chargeable income:**

**Resident and/or ordinarily resident** - assessed on worldwide income, entitled to the full Personal Allowance (PA) and may claim a deduction for Retirement Pension Contributions (RPCs), contributions to certain pension/retirement benefit schemes, subscriptions and charitable donations.

**Not resident and not ordinarily resident** - assessed on income from within FI and/or for duties performed in FI. Entitled to a proportion of the PA according to the number of days present in FI during the relevant tax year and may claim a deduction for compulsory RPCs and charitable donations only.

#### **Tax assessment basis**

The FI tax year runs 1 January to 31 December.

There is no self-assessment in FI. Income returns are issued in the year following the tax year and have a submission deadline of 31 July of the same year. There are penalties for late submission. Strictly any individual should not be assessed until after the end of the relevant tax year, however in order to finalise an individual's FI tax affairs as soon as possible and to avoid any problems for all parties concerned (e.g. retaining income details, obtaining contact details, pursuing/making payments of refunds/liabilities) there are some certain cases where we will accept tax returns and issue assessments before the end of the tax year – please consider the following questions:

**Do you intend to return before the end of the tax year?**

**Do you intend to return and be resident in FI in any future tax years?**

**Will you have any income from FI after your departure (e.g. pensions, rent)?**

**If you have answered 'No' to all of the above questions then you should be able to finalise your FI tax affairs before/soon after your departure, please refer to the following 3 points:**

**1. If you are leaving FI, are resident for the year but will not be ordinarily resident**

Strictly for Income Tax you should declare your worldwide income for the whole of the relevant tax year (see 'Tax residency'). However, we do have the below office policy which you may wish to use:

- PA - apportioned to date of departure or final employment date, whichever is latest
- Reliefs - still apply treatment as per legislation i.e. may claim RPCs, contributions to certain pension/retirement benefit schemes, subscriptions and charitable donations
- Income - for Income Tax subject to FI tax on your worldwide income up to date of departure/final employment date, whichever is latest.

If you do not wish to be assessed as per this office policy, you will be assessed according to current taxes legislation. We will require your contact details and after the year end, submission of a tax return declaring worldwide income for the whole of the year and an assessment will be issued including full PA, reliefs etc.

**Please note this office policy is only in place in order to finalise an individual's FI tax affairs before/soon after they leave FI. An individual does not have the option of this policy if they submit their tax return after the end of the tax year, instead they will be assessed as per legislation i.e. on worldwide income and receive full PA etc.**

**2. If you can and choose to finalise your FI tax affairs before/soon after departure**

You need to obtain your final income details. If you are in employment, your employer should issue you with a Certificate of Tax Deducted (EMP-04). That document should detail your remuneration and deductions for your period of employment for the relevant tax year and should be issued to you within 7 days of your employment ceasing. Once you know your final income details you can complete a tax return which can be obtained emailed from our office.

The earlier you can get your completed return to our office, the more likely your tax affairs may be finalised before your departure. However, please note that returns are processed in order of receipt and response times depend on our workloads. If you are due a refund, you should allow up to 10 working days from when the Treasury receive the payment voucher from our office for them to make payment to you (this time period will be longer if it coincides with the Government's financial year end processes, 30<sup>th</sup> June). The tax return

provides options for refund payment methods which includes options if your FI bank account has/will be closed.

### **3. If you are leaving FI and are not resident and will not be ordinarily resident**

Please see 'Tax residency' for details on your taxable income and entitlement to PA, reliefs etc.

If in the previous tax year, you were resident, your PA entitlement will be apportioned to your final date of departure or final employment date, whichever is latest.

### **Not resident and not ordinarily resident aged 60 years or over in the tax year**

For Income Tax you can make a worldwide income election which allows individuals to have their FI tax calculated as a proportion of their worldwide income. In such cases it is calculated what their tax charge would have been had they been chargeable on their income from all sources worldwide giving full allowances as if they were tax resident, and then calculate the FI portion of this. Please contact our office for further details.

### **If you are leaving FI and are ordinarily resident.**

You are still required to declare your worldwide income for the whole of the relevant tax year (see 'Tax Residency'). Therefore you will continue to have tax requirements with FI.

Please ensure our office is kept up-to-date with your contact details so that when your return is issued, it is sent to the correct address. Any delay caused by us not having your correct address will not automatically void any penalties for late submission of your return.

Alternatively you may wish to authorise a named agent/person to complete your tax return on your behalf. If so, we will require written and signed authorisation from yourself in order to accept your return completed by that person and to correspond with them on your tax affairs.

Completed returns will be accepted by fax/email in order to meet the submission deadline but hard copies are still required for our records, which can be submitted at a later date.

### **Non-FI tax credit**

If you have a source of non-FI income which is subject to FI tax and you have already paid non-FI tax on that source, foreign tax credit may be given in certain cases. Proof of the tax paid will be required (e.g. tax assessment) and confirmation it has/will not be refunded. The amount of foreign tax credit given in your FI tax assessment will be restricted to FI tax rates e.g. if you paid 40% non-FI tax, but under your FI tax assessment 21% FI tax is due, your foreign tax credit will be restricted to 21%.

## Double taxation agreement

The only country with which we hold a double taxation agreement is the UK. That agreement overrides the domestic taxes legislation of both territories and will be referred to in relevant cases. Please contact our office if you have any questions on that agreement.

## Please note

This paper is intended to give only broad guidance, and is not intended as a statement of law. The points covered in this paper reflect current tax practice at the time of writing. Special rules exist to deter tax advantages being gained by dealings between connected parties.

## Questions and further information

If you have any questions or need more information on this subject, or any aspect of FI tax, please contact the Taxation Office. Alternatively you may wish to seek professional advice e.g. from a lawyer or accountant.

FI taxes legislation can be obtained online from the FI Statute Law Database [www.legislation.gov.fk](http://www.legislation.gov.fk)

FIG Taxation Office	Tel	(+500) 28470
St Marys Walk	Email	general@taxation.gov.fk
Stanley		
Falkland Islands	Public opening hrs	Mon – Fri, 9am – 12 noon
FIQQ 1ZZ		(afternoon appointments by prior arrangement)