



Taxation in the Falkland Islands

Taxation Office
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What we will cover

- History of Taxation at MPC
- Company Taxation
- Defence Contractors Exemption
- Individual Taxation
- Questions.



History of Taxation at MPC

- In the 1980s tax exemption for Individuals and Companies introduced
- Qualifying Individuals and Companies exempted from Falkland Islands taxation
- From 2004, the exemption for Companies was removed. The exemption for qualifying individuals remains in place
- Companies may now be liable to Falkland Islands tax.



History of Taxation at MPC

- The exemption was originally to:
 - Incentivise workers to come to the FI
 - Reduce the costs to the UK
- Remove the CT exemption as companies were profit seeking enterprises
- CT from companies at MoD sites in the FI is approx. £1m.
- The employee exemption stopped FI receiving approx. £3.4m in IT and RPC in 2019.



Companies obligations

- Need to register with Falkland Islands Government Taxation Office
- Also need to register with Company Registrar
- Information can be provided to help decide if they are taxable in FI
- Will be provided information on requirements for CT.



When is a company liable to FI tax?

- FI registered company – taxable on worldwide income
- UK registered company – dependent on the Double Taxation Agreement
- Other companies – taxable on the profits arising from the Falkland Islands.



Double Taxation Agreement

- Place of management
- A branch
- An office
- A factory
- A workshop
- A mine, oil or gas well or other places of exploration, extraction or exploitation of natural resources
- An installation or structure used for exploring natural resources
- A building site, a construction, assembly or installation project or supervisory activities (time scale on this).



Requirements if taxable in FI

- Will have filing requirements – 9 months after the end of the accounting period
- Will need to file:
 - CT return
 - CT computation
 - Branch profit and loss account
 - Group/parent company accounts
- May have to pay CT – no later than 8 months and a day after the end of the accounting period.



Brief overview of some allowable deductions

- Bad debts
- Entertainment
- Head office expenses
- Depreciation Allowances.



Assessing process

- FIGTO receive your documents
- FIGTO raise any queries (if needed)
- FIGTO issue an assessment, or an estimated assessment
- 30 day objection against assessment must include full grounds
- FIGTO will consider objection and respond.



What is the Defence Contractors Exemption?

When an employer has become a designated employer and they have qualifying employees, then there is a reduction in the requirements to file with the Tax Office and make payment to the Tax Office in relation to those employees.



How is the exemption obtained?

- Employer must apply to become a Designated Employer
- Then an employee must meet the criteria
- Exemption applies and determines tax treatment
- Important to note this exemption does not apply for subcontracted work or employers of subcontractors.



How to become a Designated Employer

- Complete and return application to FIGTO
- FIGTO consider application and employers tax compliance reviewed
- Recommendation made to SFC
 - If approved included on list of Designated Employers
 - If rejected then normal liabilities and requirements apply.



Application approved

- If employee also qualifies:
 - Employer does not need to deduct POAT/RPC for employee
 - Employer does not need to pay employer RPC contributions
 - Employer does not need to submit POAT returns for employee
- Employer needs to complete end of year return issued by FIGTO
- Can hire qualifying employees from other Designated Employers without employee losing their status.



Criteria to be a qualifying employee

- Employee must be employed by a “Designated Employer”
- Employee must be employed only for the purposes of providing services in the Falkland Islands to the Armed Forces or MoD
- Employee was not present in the Falkland Islands when engaged for work (or within the three months prior to being engaged for work)
- Employee is entitled to accommodation at MPA or other MoD occupied land.



Examples of exemption

- Company A is a designated employer and Person T is a qualifying employee of A. The defence contractors exemption will apply.
- Company A is a designated employer and Person Q is not a qualifying employee of A. The defence contractors exemption will not apply.
- Company A is a designated employer and subcontracts the task to Company D. The defence contractors exemption will not apply to any of Company D's employees.



Responsibilities as an Employer

Employer without Designated Status/non-qualifying employees

- Notify the Tax Office of any new employees
- Monthly POAT returns to be submitted with employee payroll information
- Payment for POAT/RPC to be made
- Required to complete end of year forms issued by Tax Office



Responsibilities as an Employer

Employer with Designated Status and only qualifying employees

- Required to complete end of year forms issued by Tax Office.



Current Position

- Application currently requires the exemption to be linked to the Island Plan
- No commencement date set out in legislation
- No application process set out in legislation
- Provision currently set out in the Ordinance and also in the Order
- Order is considered every year by SFC
- Annual return covers employees only.



Proposed changes

- Simplify the application form for the Employer
- Administrative changes to simplify the application process
 - Clear commencement date
 - Formalise current process
- Limited discretion of SFC and the Governor at employer level
- Annual return to include subcontractors information.



Proposed changes to Exemption

- Explicitly state in legislation that:
 - qualifying employees of Designated Employers are not required to pay Income Tax, MST or RPCs
 - Designated Employers do not have the same requirements for qualifying and non-qualifying employees
 - Designated Employers do not have to pay Employer MST or RPC for qualifying employees
 - Designated Employers have to pay Employer MST or RPC for non-qualifying employees.



Thoughts on proposed changes

Do you have initial thoughts or comments?

Alternatively please feedback to FIGTO by **Tuesday 30 November** using general@taxation.gov.fk or call 28470 to arrange a meeting.



Individuals obligations

- To complete a tax return if issued on by the Tax Office
- If not issued a return automatically to contact the Tax Office for a return if they are resident
- FI Resident:
 - FI resident – present for 183 days or more in a tax year
 - Not FI resident – present for less than 183 days in a tax year.



When are you liable to FI tax?

Qualifying Employee employed by Designated Employer

- FI Resident – on worldwide income except qualifying employment income
- Non-FI resident – on income from within FI except qualifying employment income

Employee and not employed by Designated Employer

- FI Resident – All worldwide income
- Non-FI resident – on all income from within FI.

Subcontractor/Self-employed

- FI Resident – All worldwide income
- Non-FI resident – on all income from within FI.



Tax rates and personal allowance?

- Personal Allowance for FI Resident is £15,000
- If not an FI resident but liable to tax, PA is apportioned
- Tax rates are:
 - First £12,000 after PA is at 21%
 - Everything above that is 26%.



How does POAT apply?

- POAT for employees should be applied by employer
- Tax deducted at rate prescribed by the Tax Office
- RPC contributions deducted by employer.



How are you a qualifying Employee?

- You must be employed by a “Designated Employer”
- You must be employed only for the purposes of providing services in the Falkland Islands to the Armed Forces or MoD
- You were not present in the Falkland Islands when engaged for work (or within the three months prior to being engaged for work)
- You are entitled to accommodation at MPA or other MoD occupied land, even if you do not live there.



Double Taxation Agreement

- Only applies to UK individuals
- Can apply differently depending on each individuals situation
- If income is covered by DTA still need to include in tax return noting the section of DTA you believe exempts from FI tax.



Assessing process

- FIGTO issue tax return
- You complete and return the tax form
- FIGTO raise any queries (if needed)
- FIGTO issue an assessment
- 30 day objection against assessment must include full grounds
- FIGTO will consider objection and respond.



MST

- MST is currently rated at 0% meaning no requirement for employees or individuals to pay
- This could be changed in the future
- Changed during the annual FIG budget process.



Retirement Pension Scheme

Falkland Islands Pension Scheme

- Qualifying employees employed by Designated employer not required to pay
- RPC – weekly rate for 2021 at £37.50 per week
- Minimum contributions of 250 for pension
- FIPS – this is a private pension scheme and you can make additional voluntary contributions to this scheme at any rate per month, or annually.



Questions?



Points to take away

- Early engagement with the Tax Office
- All decisions are based on facts
- The Tax Office want to get the right tax at the right time
- Apply for the Defence Contractors Exemption earlier rather than later
- If you are unsure over your responsibilities talk to the Tax Office.



Contact Information

Email – general@taxation.gov.fk

Call – +500 28470

Website – www.fig.gov.fk/taxation

Guides and forms can also be found on the website

Registrar General – registrargeneral@townhall.gov.fk

Pensions Office - Diana Aldridge on daldridge@sec.gov.fk or 28416.