#### CONTENTS

Item

Page

## CHAPTER 1 IMPOSITION OF INCOME TAX

1.1	Effective date of operation (Sec. 1)	1
1.2	Imposition of Income Tax (Sec. 2)	1
1.3	Total tax payable by a person (Sec. 2)	6
1.4	Year of assessment (Sec. 20)	6
1.5	Change in the year of assessment (Sec. 20)	7

#### CHAPTER 2 INCOME TAX BASE

2.1	Taxable income (Sec. 3)	. 9
2.2	Assessable income (Sec. 4)	9
2.3	Residency rules (Sec. 69)	. 10
2.4	Change of residency (Sec. 70)	11
2.5	Concept of "payment"	12
2.6	Meaning of "received"	13

#### CHAPTER 3 EXEMPT AMOUNTS

- 3.1 Amounts exempt under the Inland Revenue Act.....14
- 3.2 Exemptions / special basis of computations under previous Inland Revenue Act and BOI law......14
- 3.3 Exempt amounts under the third schedule to the Act....15

## CHAPTER 4 INCOME TAX RATES

4.1	Tax rates for resident and non - resident individuals.	.22
4.2	Tax rates for partnerships	.25
4.3	Tax rates for companies	.26
4.4	Tax rates for charitable institutions	. 33
4.5	Tax rates for non-governmental organizations	33
4.6	Tax Rates for Employees Trust Funds, Provident, etc	. 34
4.7	Tax rates for trusts	34
4.8	Tax rates for unit trusts and mutual funds	. 35
4.9	Remittance tax rate	. 35

#### **CHAPTER 5**

## ASCERTAINMENT OF ASSESSABLE INCOME

5.1	Ascertainment of assessable income	36
5.2	Employment income (Sec. 5)	36
5.3	Business income (Sec. 6)	40
5.4	Employment or business	43
5.5	Investment income (Sec. 7)	.46
5.6	Business or investment	53
5.7	Other income (Sec. 8)	54
5.8	General deduction (Sec. 10)	55
5.9	Main Deduction (Sec. 11)	60
5.10	Interest Expenses (Sec. 12)	61
5.11	Allowance for trading stock (Sec. 13)	61
5.12	Repair and improvements expenses (Sec. 14)	62
5.13	Research and development and agricultural	
	start-up expenses (Sec. 15)	64
5.14	Capital allowances under fourth schedule (Sec. 16)	.65

5.15	Capital allowance under second schedule (Sec. 16) 72
5.16	Balancing allowance and assessable charge74
5.17	Losses on realisation of business assets and
	liabilities (Sec. 17)
5.18	Deductible amount of financial cost (Sec. 18)
5.19	Deductible business or investment losses (Sec. 19) 80
5.20	Temporary deduction allowed based on investment 83
5.21	Temporary deduction allowed for information
	technology services
5.22	Temporary deduction allowed on research and
	development

#### CHAPTER 6

# SOME SPECIAL RULES APPLICABLE IN THE CALCULATION OF THE INCOME TAX

6.1	Method of accounting (Sec. 21)	86
6.2	Quantifying a payment or amount (Sec. 27)	87
6.3	Valuation of non-cash benefits of employees	87
6.4	Reversal of amounts (Sec. 24)	92
6.5	Bad debt disclaims, provisions and write offs (Sec. 24)	92
6.6	Financial instruments and foreign currency (Sec. 26)	93
6.7	Indirect payments (Sec. 28)	95
6.8	Jointly owned investments (Sec. 29)	95
6.9	Compensation and recovery payments (Sec. 30)	95
6.10	Annuities, instalment sales and finance leases (Sec. 31)	96
6.11	Islamic financial transactions (Sec. 32)	97
6.12	Change in control (Sec. 64)	97
6.13	Arm's length standard and arrangements between	
	associates (Sec. 33)	99

6.14	Income splitting (Sec. 34)	100
6.15	Tax avoidance schemes (Sec. 35)	100
6.16	Certain approvals granted by the Minister and	
	CGIR to be continued	102
6.17	Deemed profit ratios approved under the previous	
	Inland Revenue Act	103

## CHAPTER 7 QUALIFYING PAYMENTS AND RELIEFS

7.1	Summary of qualifying payments and reliefs	104
7.2	Qualifying payments (Sec. 52)	104
7.3	Reliefs (Sec. 52)	106
7.4	Claim of qualifying payments carried forward	
	from 2017/18	107

# CHAPTER 8 CALCULATION OF GAINS AND LOSSES

8.1	Charge of tax on gains from the realization of assets $\dots$ 109
8.2	Some important definitions 109
8.3	Calculating gains and losses (Sec. 36)110
8.4	Cost of an asset (Sec. 37)111
8.5	Consideration received (Sec. 38) 113
8.6	Realization (Sec. 39) 114
8.7	Liabilities (Sec. 40)115
8.8	Provisions relating to change of residence (Sec. 70)116
8.9	Reversal, quantification and compensation
	of amounts (Sec. 41)117
8.10	Realisation with retention of asset (Sec. 43)118
8.11	Transfer of asset to spouse or former spouse (Sec. 44)119

8.12	Transfer of asset on death (Sec. 45)121
8.13	Transfer of asset to an associate or gifts (Sec. 46)123
8.14	Transfer of ownership of land or a building
	to certain associates(Sec. 46)125
8.15	Transfer of asset by way of gift to a charitable
	institution (Sec. 46) 127
8.16	Transfer of assets associates (Sec. 46) 129
8.17	Involuntary realisation of asset with replacement
	(Sec. 47)132
8.18	Realisation by separation (Sec. 48)134
8.19	Transfer by way of security, finance lease or
	instalment sale (Sec. 49)135
8.20	Apportionment of costs and consideration
	received (Sec. 51)137

#### CHAPTER 9

# TAXATION OF SPECIAL PERSONS AND SPECIAL INDUSTRIES

9.1	Income Tax liability of a partnership. [Sec. 53-54]	139
9.2	Taxation of partners [Sec. 55-56]	142
9.3	Taxation of unit trusts and mutual funds [Sec. 59]	144
9.4	Taxation of trusts [Sec. 57]	146
9.5	Taxation of beneficiaries of a trust [Sec. 58]	149
9.6	Taxation of companies [Sec. 60]	151
9.7	Taxation of shareholders [Sec. 61]	152
9.8	Remittance Tax [Sec. 62]	152
9.9	Long term contracts [Sec. 25]	153
9.10	Petroleum operations [Sec. 65]	154
9.11	Banking business [Sec. 66]	155
9.12	Life insurance business [Sec. 67]	156

9.13	General insurance business by a non-resident	
	company [Sec. 67(3)]	157
9.14	Life insurance business by a non-resident company	
	[Sec. 67(4)]	157
9.15	Taxation of non-governmental organizations(NGO)	
	[Sec. 68]	158
9.16	Taxation of charitable institutions [Sec. 68(3)]	160

#### CHAPTER 10 INTERNATIONAL

Source of income and quarantining of foreign losses	
[Sec. 71]	162
Source directly to be included and amounts to be	
deducted [Sec. 72]	164
Source of payments [Sec. 73]	165
Foreign Source [Sec. 74]	169
Double taxation agreements [Sec 75]	169
Foreign tax credit [Sec. 80]	170
Calculation of foreign tax credit [Sec. 81]	170
Head office expenditure [Sec. 79]	172
	[Sec. 71] Source directly to be included and amounts to be deducted [Sec. 72] Source of payments [Sec. 73] Foreign Source [Sec. 74] Double taxation agreements [Sec 75] Foreign tax credit [Sec. 80] Calculation of foreign tax credit [Sec. 81]

#### CHAPTER 11 TRANSFER PRICING

11.1	International	transactions	between	associates	[Sec.	76]	173

11.2 Local transactions between associates [Sec 77]......176

## CHAPTER 12 WITHHOLDING TAXES

12.1	Withholding taxes	180
12.2	Withholding by employers (PAYE) [Sec. 83]	. 180
12.3	Application of PAYE tables	180
12.4	Employer's Annual Statement	187
12.5	Employee Withholding Tax Certificates	188
12.6	Withholding from investment return. [Sec. 84]	. 188
12.7	Withholding from service fees and contract payments	
	[Sec. 85]	189
12.8	Withholding tax rates [First schedule]	191
12.9	Some special cases relevant to the application of	
	withholding taxes	193
12.10	DExemption of Certain Dividends from Withholding Ta	x195
12.11	l Exemption of Employment Income from Withholding	
	Tax	196
12.12	2Statements and payments of tax withheld [Sec. 86]	196
12.13	Consequences of non-compliance	197
12.14	4 Withholding certificates	198
12.15	5Final withholding payments [Sec. 88]	199
12.16	6 Relief granted upon the payment of tax	199
	7WHT liability payable on instalment and assessment	
	Basis	200
12.18	8Credit for non-final withholding tax [Sec. 89]	200

## CHAPTER 13 PAYMENT OF TAX BY QUARTERLY INSTALMENT AND ASSESSMENT

13.1	Persons liable for quarterly instalments	202
13.2	Due dates for the payment of installments and	
	Assessment	202
13.3	Calculation of instalment of tax payable	. 204
13.4	Statement of estimated tax payable [Sec. 91]	. 208
13.5	Statement of estimated tax payable not required	
	[Sec. 92]	. 209
13.6	Return of income and capital gains [Sec. 93]	. 210
13.7	Return of income not required [Sec. 94]	. 212
13.8	Assessment [Sec. 95]	. 213
13.9	Payment of tax on realisation of investment assets by	
	partnerships and trusts [Sec. 96]	. 21