



FALKLAND ISLANDS GOVERNMENT TAXATION OFFICE

**Self-Employment Guide - Tax Year 2019**

If you intend to become or are self-employed please inform the Taxation Office immediately. You will be required to complete a new business form; once this is processed you will be registered as self-employed and issued with a reference number.

**Unincorporated Businesses**

These are generally taxed in a similar way to limited companies. However, assessable profits for a year of assessment will be based on the previous year's income (including any other taxable income e.g. remuneration from employment, bank interest, etc) and your total taxable income will be charged at the following rates of tax:

<b>Income Tax</b>	First £15,000*	Nil
	Next £12,000	21%
	Remainder	26%

\* only individuals who are resident and/or ordinarily resident for tax purposes for the relevant tax year are entitled to the full amount. If you are not tax resident and not ordinarily tax resident this amount will be apportioned to the number of days you were present in the Falkland Islands (FI) and designated areas.

FI Retirement Pension Contributions (RPCs) for 2019 are £33.50 per week or £1,742 per annum, please contact the Pensions Office for further details:

FI Treasury, Thatcher Drive, Stanley | Tel (+500) 28416 | Email [DAldridge@sec.gov.fk](mailto:DAldridge@sec.gov.fk)

**Accounting Periods, Payment and Filing Dates**

The normal accounting period is 1 January to 31 December for self-employed, which is in line with the tax year. However if you feel that this will be difficult to achieve due to the nature of your work, you can contact the Taxation Office to request an alternative accounting period.

Once you have prepared your accounts you need to adjust the profit or loss to take account of what is or is not allowable for FI tax purposes.

You then need to send these accounts (with the tax adjustments) to the Taxation Office every year as part of your tax return by 31 August in the following year. There are penalties for late submission.

**Non-resident (present less than a total of 183 days in the relevant tax year) and not ordinarily resident self-employed**

Self-employed profits, including profits from activities in connection with exploration, are subject to FI tax. If the period of FI activity is less than 12 months the accounts of the business, with a completed tax return, should be submitted to the Taxation Office within 60 days of when FI activity ceases. Please contact the Taxation Office to request a tax return.

In accordance with FI taxes legislation, you are required to deliver a copy of the accounts of your business (showing world-wide receipts and expenses and assets and liabilities) which include the period of FI activity. In addition, a copy of the trading accounts in respect of the period of FI activity or, if no trading accounts are available, a profit statement setting out the results from the exploration activities carried on in FI.

### **Calculation of Taxable Profits**

Accounts should normally include all business income relating to and earned in the year, whether or not received. Capital gains are not chargeable to tax in normal circumstances.

Most items of business expenditure are deductible provided they are incurred wholly and exclusively for business purposes. Capital costs (e.g. new vehicle, improvements to buildings) are not allowable as business expenses, but could be eligible for depreciation allowance. Special rules apply for certain types of expenditure (sections referred to are in the Taxes Ordinance 1997):

- a) Bad debt - a deduction can be claimed for irrecoverable debts provided the Taxation Office is satisfied that these became 'bad' in the relevant accounting period and that all reasonable steps have been taken to recover them.
- b) Business entertaining - this is not allowed as a deduction. There is a concession of a £100 allowance per employee per 12 month accounting period including partner/spouse.
- c) Vocational training - a 150% deduction may be available for this (section 102).
- d) Pre-trading expenditure - costs incurred before you actually start business are normally treated as deductible when you commence (section 103).
- e) Employee remuneration - this should normally be paid within 9 months of the end of the period of account in order to be deductible in that period (section 98).

### **Allowances for Capital Expenditure**

Depreciation allowances **can be claimed** on certain items of capital expenditure for business purposes. Over-page is a summary of the general allowances, in addition there are some specifically for FI rural businesses.

Asset	Allowance per annum	Depreciation method	See Note
Plant, Machinery & Vehicles	Up to 40%	Reducing balance	1
Ships	Equal to 20%	Straight line	
Buildings	Equal to 10%	Straight line	2
Other buildings	None		3
Car park or hard standing	Equal to 2%	Straight line	
Road	Equal to 2%	Straight line	4

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- Note 1 'Plant and Machinery' category includes aircraft, fencing, office equipment, tools and equipment, etc. Pooling of assets can be used for this category.
- Note 2 'Buildings' includes industrial, commercial, agricultural, mining, fishing and hotel buildings.
- Note 3 'Other buildings' includes residential accommodation (please note there are special rules relating to such buildings – consult the Taxation Office if in doubt).
- Note 4 Expenditure incurred in constructing the road is limited to £100,000 per kilometre of road

No depreciation allowances are available on the cost of land although the expense of preparation etc. of land for construction of a building is specifically allowed.

When the asset is sold, there may be a claw back of allowances (sections 116 - 119 Taxes Ordinance 1997).

### **Allowances for Capital Expenditure - Petroleum Activities**

#### **25% allowance**

In arriving at the taxable profits, depreciation allowances can be claimed at the rate of 25% on capital expenditure on the acquisition of any machinery or plant which is used for the purposes of the offshore activities.

#### **General rules**

When the asset is disposed of, there may be a recapture of allowances already given.

#### **Special rules – arrival & departure**

There are special rules to cater for machinery and plant being introduced into FI after acquisition and similarly withdrawn from FI prior to disposal.

**Note: This is a brief summary of the law and practice at the time of writing. It is not binding in law and does not affect your rights of appeal. You should bear in mind that the information offers general guidance on how the rules apply, but whether the guidance is appropriate in a particular case will depend on all of the facts. You should therefore consult the Taxation Office on how the rules apply in your own case.**

### **Contact Details – Taxation Office**

St Mary's Walk Stanley Falkland Islands	Tel	(+500) 28470
	Email	general@taxation.gov.fk

**Public opening hours** Mon to Fri 9am – 12noon  
(afternoon appointments by prior arrangement)