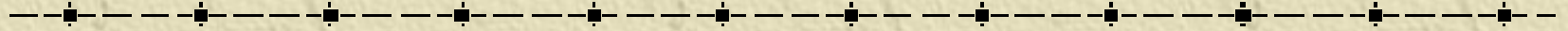


# Inland Revenue Division



**TAX MEASURES EFFECTIVE  
JANUARY 1, 2006**

# Personal Income Tax

## Removed:

✦ Mortgage Interest/Tertiary

Education Expenses - \$18,000

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✦ First-time House owner Allowance  
- \$10,000

✦ Net Increase in Credit Union Shares  
- \$10,000

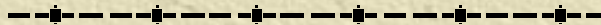
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# Personal Income Tax cont'd

## *New Measures:*

✦ Personal Allowance increased to  
\$60,000

✦ Flat tax rate of 25% for all levels of  
income



# Example: #1

	2005	2006
Tot. Inc.	60000	60000
PA	<25000>	<60000>
MI/Tert.Ed	<5000>	-
CU	<3000>	-
Pen/Def.Ann/NIS	<u>&lt;3000&gt;</u>	<u>&lt;3000&gt;</u>
Chargeable Inc	<u>24,000</u>	<u>NIL</u>
Tax on Ch. Inc	6,000	NIL
<b><u>Income Tax</u></b>		
<b><u>Savings \$6,000</u></b>		

## Example #2

	2005	2006
Total Income	100,000	100,000
Personal Allowance	<25,000>	<60,000>
Mort.Int/Tert. Ed	<8,000>	-
Incr. in Cr. Un.Shares	<10,000>	-
Pen/Def.Ann/NIS	<u>&lt;12,000&gt;</u>	<u>&lt;12,000&gt;</u>
Chargeable Income	<u>45,000</u>	<u>28,000</u>
Tax on Ch. <u>Inc. @ 25%</u>	11,250	7,000
<b><u>Income Tax</u></b>		
<b><u>Savings \$4,250</u></b>		

## Example #3

	2005	2006
Total Income	175,000	175,000
Personal Allowance	<25,000>	<60,000>
Mort.Int/Tert.Ed	<18,000>	-
Incr. in Cr.Un. Shares	<10,000>	-
Pen./Def.Ann/NIS	<u>&lt;12,000&gt;</u>	<u>&lt;12,000&gt;</u>
Chargeable Income	<u>110,000</u>	<u>103,000</u>
<u>2005</u> – <u>Tax on Ch.Inc</u>		
50,000@ 25% - 12,500		
60,000@ 30% - 18,000	30,500	
<u>2006</u> – 103,000@ 25%		25,750
<b><u>Tax Savings \$4,750</u></b>		

# Other Tax Measures

- ✦ Removal of tax free withdrawals from Pension Plan/Deferred Annuity for purchase of first home
- ✦ The income gained from the purchase of an immediate annuity is exempt from tax for ALL individuals.
- ✦ Pension contributions can be transferred to another pension plan and not be subject to the 10% withdrawal tax.
- ✦ Employers may contribute one-third of employees chargeable income or 20% of the emolument income, whichever is greater, to an annuity(corporate plan) on behalf of the employee.

## Other Measures cont'd

- ✦ Both refund of pension contributions and surrender of an annuity to be taxed at 25%.
- ✦ The deductions for the equity investment in an approved hotel project(25%) and the conversion of a house to a guest house have been removed.
- ✦ The transfer of shares to employees under the Employee Share Option Plan(ESOP) is to be taxed at the rate of 25%. The tiered rates have been removed.

# Benefits-in-Kind

- ✦ Motor Vehicles & Equipment – For motor vehicles & equipment acquired after 1/1/2006, the benefit in kind will be 50% of the wear & tear or the lease rental.
- ✦ Accommodation – where a company provides accommodation for employee with a company owned property, the benefit in kind is the fair rental value – the value of rent the property can obtain on the market between unrelated parties.
- ✦ Employee Loans – the benefit in kind is the difference between the interest rate charged by the company and the interest rate as determined by the Central Bank of T&T.