

ITAX ENHANCEMENTS – APRIL 2021

Income Tax Company Updates

The following changes have been made to the Income Tax Company return (IT2C), in alignment to the recent changes in law:

- i.** The Income Tax Company excel return has been updated to capture the 25% tax rate which was in effect for companies with accounting periods ending from 1st April 2020 to 31st December 2020. The return has also been updated to capture the 30% tax rate for incomes accrued after 1st January 2021 for the resident companies.
- ii.** Companies whose accounting periods were ending up to 31st March 2020, will have the return effect the 30% tax rate for resident companies and 37.5% for non-resident companies. In addition, the return will apply both 25% and 30% on a pro rata basis for 2020-21 accounting periods. For instance, companies whose accounting periods run from February 2020 to January 2021, March 2020 to February 2021, April 2020 to March 2021 etc. 25% will be applied for the periods up to December 2020 and 30% will be applied for periods after 1st January 2021.
- iii.** The corporate tax rate for accounting periods transcending from 2020 to 2021 will be $X/12*25\%+Y/12*30\%$ where X is the number of months within the accounting period falling up to 31st December, 2020 and Y is the number of months within accounting period falling after 1st January, 2021. Hence, for March 2021 year end, the tax rate will be $9/12*25\%+3/12*30\%$.
- iv.** The 2020/2021 tax return will allow claiming of Digital Service Tax(DST), Minimum Tax (MT) credits and other credits like Advance tax, Withholding Tax, Instalment Tax, Advance and Self-assessment tax paid within the accounting period to offset against the total tax liability. Minimum Tax will be captured under the Instalment Tax sheet while DST credits will be captured under row 13.8 in the tax computation sheet.
- v.** The tax return will allow capturing the Payment Registration Number and amount only for Instalment and Minimum Tax credits. The deposit date is no longer a mandatory field. The above changes will be applicable to Original, Amended, Data Correction, Default and Additional Assessment returns.
- vi.** The updated IT2C Return has been updated to align with the registration details, with the additional categories under the business type 'Others'. This will now include Private Trust (With Beneficiary) and the Corporate Trust (Without Beneficiary).

Missing PAYE Tax Credits

The issue of missing PAYE credits for the month of September 2020 has been resolved for employees whose employers filed and paid their PAYE through iTax. A permanent solution to resolve the issue of missing tax credits for the months of April 2020 to August 2020 is still under resolution. This should however not affect filing of Income Tax returns as employees' ledgers will automatically reconcile upon resolution of the issue.

Taxpayer Registration

The iTax system has been updated to capture the addition of the Digital Service Tax Representative functionality. This will help appointed Tax Representatives declare and pay Digital Service Tax on behalf of their clients. A Tax Representative will also be able to perform all other functionalities relating to filing and payment for their clients who are non-residents with no permanent establishment (thus have no PINs) and who are liable for DST.