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FINANCE MINISTER ANNOUNCES TIGHTENING OF TAX AND DUTY EXEMPTIONS

The Minister of Finance and Treasury Rick Houenipwela announced that as of today the Government is introducing much stricter controls over the granting of duty and tax exemptions.

This is part of its continuing effort to take prudent and responsible steps in the management of its finances for the remainder of this financial year.

Mr. Hou said that the new procedures will put into effect the amendments to tax and customs legislation, which came into force on the 1st of August 2013 and will promote fiscal transparency as well as strengthening management, coordination and consistency of exemptions when granted.

The legislation brings in a new combined Revenue and Customs Exemption Committee that will consider all applications for exemption from taxes and duties, and strictly measure them against criteria in the new exemption guidelines before making recommendations to the Minister of Finance.

“It can be expected that the strict application of the new guidelines will have the effect that the new Exemption Committee will be recommending to the Minister that very few applications are granted”, Mr Hou explained.

He added that Applicants are likely to find that even if their applications are successful, they will be much less generous than might have been hoped for.

“While some tax and duty exemptions may assist to improve the economy of the country in the long run, they reduce revenue collection capacity in the short term”, Minister Hou added.

Tighter control of exemptions will improve revenue collections needed to help the government to meet the basic needs of the country for the remainder of this financial year.

Mr. Hou said that this announcement applies to exemptions which are available only at the discretion of the Minister.

It does not affect statutory exemptions that would be normally provided under the law on certain goods and services and statutory exemptions available for schools, churches and NGOs or those that have been already agreed with Government in accordance with Ministerial Orders or a Memorandum of Understanding. It will apply to new discretionary exemption applications only.

Minister Hou stressed that in order to maximize revenue collection; action must be taken now to limit further loss of potential revenue.

This can be achieved through closer scrutiny of applications for discretionary tax and duty exemptions.

Mr. Hou said that the Ministry of Finance will continue to strive to ensure that Government will be able to deliver on its commitments in the 2013 Budget by making sure that sufficient cash reserves are in place to continue fund its commitments.

To ensure this happens, the Ministry of Finance will continue to exercise fiscal discipline across government in the remainder of the year of which the tighter control of exemptions is only one aspect.

Information about tax and duty exemptions, including the new application form, will be available on IRD and Ministry of Finance websites.

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