

FISCAL MEASURES IN THE 2004-2005 BUDGET

INTRODUCTION

On Friday October 8, 2004 the Minister of Finance, The Honourable Patrick Manning presented the National Budget for the 2004-2005 fiscal year in Parliament. The announced fiscal measures for this period are detailed below. These measures will take effect from January 1, 2005 unless otherwise indicated.

Revenue Expenditures

A. Direct Taxation

Taxation on Individual Incomes

- I. The personal allowance will be increased as follows:
 - for individuals earning up to \$30,000 per annum from \$25,000 to \$30,000 and
 - for individuals earning incomes in excess of \$30,000 per annum, by \$5,000 less \$1.00 of this additional allowance for every dollar they earn in excess of \$30,000.
- II. Losses which individuals incur from other sources of income such as property rental will no longer be able to be offset against income from employment, office or profession.
- III. The tax relief measure that exempts the payment of tax on income earned as benefits in kind will be removed for persons employed by schools or other educational institutions, charities or municipalities and companies not engaged in trade or investment activities.

Taxes on Corporations

- I. Petroleum companies will be allowed to claim the 150% allowance up to \$1 million for contributions made to sporting activities and sportsmen.
- II. The business levy on registered small businesses will be removed.

- III. The Corporation Tax Act will be amended to reinstate the tax claim allowance for one-year deeds of covenant made to charitable establishments.

B. Indirect Taxation

- I. The surcharge on imported chicken and turkey parts will be reduced from 86% to 40% with effect from November 1, 2004. This surcharge will be eliminated on December 31, 2004 according to the Seventh Schedule to the Miscellaneous Tax Order of 1997.
- II. The common external tariff on imported powdered milk, split peas, black eye beans and cheese will be removed.
- III. With effect from October 8, 2004, the list of zero rated VAT items will be extended to include brown sugar, cocoa powder, coffee, mauby and orange juice.
- IV. An individual's VAT refund will be made applicable to any other type of tax liability under any Act administered by the Board of Inland Revenue such as income tax or corporation tax.
- V. The Duty Free Allowance from customs duty in respect of the personal items of an individual who has traveled abroad will be increased from \$1,200 to \$3,000 per annum.

Other

- I. The power to waive stamp duty, will be shifted from the Minister of Finance, and conferred to the Board of Inland Revenue.
- II. The minimum wage rate will be increased from \$8.00 to \$9.00 per hour.

Expenditure Measures

- I. Under the SHARE Programme, the provision of food hampers will be increased by 5,000 hampers to 20,000 hampers per month. The values of the hampers will also be increased from \$200 to \$250 per hamper. This measure will take effect from November 1, 2004.

- II. With effect from October 1, 2004 pensions to Public Service Officers will be increased as follows:
- Public Service Officers who retired by December 31, 1984 will receive an ex gratia payment of \$400 per month,
 - Public Service Officers who retired between January 1, 1985 and December 31, 1994 will receive an ex-gratia payment of \$300 per month,
 - Public Service Officers who retired between January 1, 1995 and December 31, 1999 will receive an ex gratia of \$150 per month,
 - Widows of Public Service Officers will receive an ex gratia payment of \$150 per month.
- III. Disability assistance grants will be increased by \$150 from \$650 to \$800 per month with effect from October 1, 2004.
- IV. Public assistance will be increased by \$150 per month with effect from October 1, 2004.