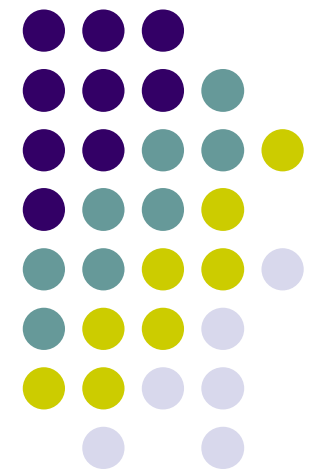




**INCOME TAX ACT
(AMENDMENT) ORDER, 2008
&
INCOME TAX ACT
(AMENDMENT) (NO 2) ORDER, 2008**



Contents



Introduction

Amendment Objective

Whats Amended

Questions and Answers Session

Introduction



Income Tax Act was enacted in 1949

First Amendment : 1951

Second Amendment : 1984

Third Amendment : 2001

Introduction



Fourth Amendment : 2008

Income Tax Act (Amendment) Order 2008 & Income Tax Act (Amendment) (No 2) Order 2008 were gazetted by Government Gazette No:26, Part II on Monday 14th April 2008 and is effective from **1st January 2008**

Introduction



<p>We aim to be an efficient & fair tax administrator</p> 	<p>tax administrator that plays a significant role in</p> 
 <p>ensuring tax environment that is conducive to investment and stimulate economic activity</p>	

Amendment Objective



“enhancing and strengthening
the administration and enforcement of
Corporate Tax in Brunei Darussalam
by reducing the loophole for tax avoidance
consistent with international tax practice”



What's Amended

- Tax Rate Revision
- Tax Threshold
- Capital Allowance Capping of Motor Vehicles
- Expenses Capping of Motor Vehicles
- Deductible Expenses
- Capital Allowance Rate
- Capital Allowance Includes Hotel Keeping



What's Amended

- The Scope of Withholding Tax
- Withholding Tax Rate
- Payment of Withholding Tax
- Late Payment Penalties
- Keeping Book Requirement
- Objection / Appeal Time Frame
- Power To Compound

Tax Threshold



Section 35 (4)

First \$50,000

Tax at $\frac{1}{4}$ x 27.5% x *X*

Next \$50,000

Tax at $\frac{1}{2}$ x 27.5% x *Y*

Balance of Chargeable Income above \$100,000

Tax at 27.5% (YOA 2008)

Tax at 25.5% (YOA 2009 onwards)

Tax Rate Revision



Section 35

Reduction of Corporate Tax Rate from 30% to 27.5%
for the Year of Assessment 2008

Further reduction for Year of Assessment 2009
onwards to 25.5%

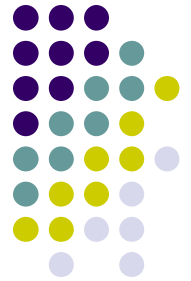
Tax Threshold



Example

Threshold	For Every Dollar of The First \$50,000	For Every Dollar of The Next \$50,000	For Every Dollar Exceeding \$100,000
25% of Chargeable Income	$\$50,000 \times 25\% \times 27.5\%$ = \$3,437.50		
50% of Chargeable Income		$\$50,000 \times 50\% \times 27.5\%$ = \$6,875.00	
100% of Chargeable Income			$\$400,000 \times 27.5\%$ = \$110,000
Total Tax Payable	$\$3,437.50 + \$6,875 + \$110,000 = \mathbf{\$120,312.50}$		

Tax Threshold



Section 35 (5)

For newly incorporated and registered companies on or after 1st January 2008, the first \$100,000 of the chargeable income will be exempted for the first 3 consecutive year

“First 3 years of assessment”, in relation to a qualifying company, means the year of assessment relating to the basis period during which the company is incorporated or registered in Brunei Darussalam and the 2 consecutive years of assessment immediately following that year of assessment

Tax Threshold

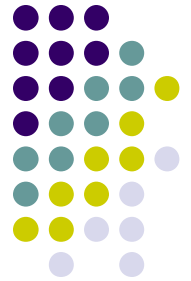


Section 35 (5)

“Qualifying company” means a company incorporated and registered in Brunei Darussalam (other than a company limited by guarantee) which for each of the first 3 years of assessment is resident in Brunei Darussalam for that year of assessment

Balance of Chargeable Income
Tax at 27.5%(YOA 2008)
Tax at 25.5%(YOA 2009 onwards)

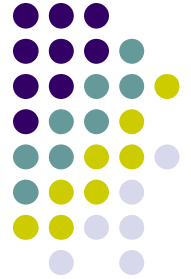
Tax Threshold



Example

Year of Assessment	2008	2009	2010
Chargeable Income	\$150,000	\$350,000	\$500,000
Part of Chargeable Income Subject To Tax			
For Every Dollar of The First \$100,000	NIL	NIL	NIL
For Every Dollar Exceeding \$100,000	\$50,000 x 27.5%	\$250,000 x 25.5%	\$400,000 x 25.5%
Tax Due	\$13,750	\$63,750	\$102,000

Capital Allowance Capping of Motor Vehicle



Section 16 (4) & Section 16 (5)

Motor Vehicle (motor car of not more than 7 passengers and does not exceed 3,000kg), Capital Allowance shall be limited to \$50,000 only

Tax Threshold



Example

A car costs \$60,000.00 and during the year incurs maintenance expenses of \$10,000.00, including fuel and repair, the deduction allowable on the expenses incurred for that year of assessment shall be computed as follows:

$$\frac{\$50,000}{\$60,000} \times \$10,000 = \$8,333$$

Expenses Capping on Motor Vehicle



Section 11 (1A)

Restricts deduction on expenses incurred on motor vehicles that costs more than \$50,000.00. The amount of expenses deductible for tax purposes shall be limited to the proportion that \$50,000.00 bears to the actual costs of the motor vehicles.

Deductible Expenses



Section 11 (1) (fa)

Deductible expenses for zakat, fitrah or any religious dues on which is made under **any written law**

Capital Allowance Rate



Section 13 (1) & Section 13 (2)(a)

Capital Allowances for Industrial Building or Structure is revised from 10% to 20% (Initial Allowance) and 2% to 4% (Annual Allowance)

Capital Allowance Includes Hotel Keeping



Section 15 (1) & Section 15 (3)

Capital Allowances can be claimed for hotel keeping

Eligibility to claim for Initial Allowance for such building or structure will only be available to the Capital Expenditure incurred on buildings or structures completed on or after 1st January 2008

Building or structure which is in operation prior to 1st January 2008, shall only be eligible to claim Annual Allowance at the rate of 4% per annum

Expanding The Scope of Withholding Tax



Section 9 (4) & Section 9 (5)

Withholding tax on income of the following expenditure which deemed to be sourced in Brunei Darussalam shall now be payable on and after 1st January 2008 as follows:

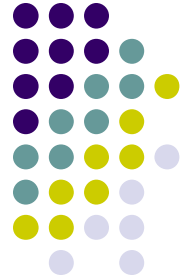
1. Interest, commission, fees and other payments relating to loans
2. Royalties or other lump sum payments for the use of movable property

Expanding The Scope of Withholding Tax



3. Know-how payments for the use of scientific, technical, industrial or commercial knowledge or information
4. Management fees
5. Technical assistance or service fees
6. Rent for the use of movable property
7. Any remuneration paid by a company to a director who is not resident in Brunei Darussalam

Withholding Tax Rate



Nature of Payment	Section	Tax Rate
Interest, commission, fee or other payment in connection with any loan or indebtedness	35 (2)	15%
Royalties or other lump sum payments for the use of movable properties	35 (3)	10%
Payment for the use of or the right to use scientific, technical, industrial or commercial knowledge or information	35 (3)	10%
Technical assistance and Service Fees	35 (6)	20%
Management Fees	37 A	20%
Rent or other payments for the use of movable property	35 (2)	15%
Non-resident Directors' Remuneration	37 B	20%

Payment of Withholding Tax



Under section 37(7)(b) of the Income Tax Act (Cap 35) deems the interest as having been paid to the non-resident person on the date on which the interest is “reinvested, accumulated, capitalized, carried to any reserve or credited to any account however designated or otherwise dealt with on behalf of the non-resident person” although it is not actually paid over to that person

Payment of Withholding Tax



By referring to the said section, the taxpayer is required to notify and pay the tax withheld to the Collector of Income Tax within **14 days** after the date of payment of income specified in section 9(4) or 9(5) of Income Tax Act (Cap 35)

Late Payment Penalties



Section 37 (4)

(a) **5% penalty** if the tax withheld if it is not received by the Collector of Income Tax within **14 days** after the date of payment to the non-resident person

(b) **1% penalty** for each completed month that the tax withheld remains unpaid, up to a **maximum of 15%** if the tax withheld is not paid over to the Collector of Income Tax after **30 days** from the date of payment to the non-resident person

Keeping Book Requirement



Section 56A (1) (a)

A company is required to keep records of business transactions for a period of **7 years** from the Year of Assessment

Objection/Appeal Time Frame



Section 65

Objection of an assessment is now reduced from
60 days to **30 days**
from the date of the service of the Notice of
Assessment

Power To Compound



Section 78 (3)

The Collector of Income Tax may now compound any offences under Section 78 (1)



QUESTIONS & ANSWERS SESSION



FURTHER ENQUIRIES

**Level 1, Island Block
Ministry of Finance Complex
Commonwealth Drive BB3910
Negara Brunei Darussalam**

Phone # +6732383933

Fax # +6732383932

www.mof.gov.bn/mof/en/sections/revenue