



MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT
GOVERNMENT OF THE COOK ISLANDS

Revenue Management – Inland Revenue

MEDIA RELEASE

Tax Update – February 2021

The Revenue Management wish to provide some information about recent changes, the taxability of Economic Response Package (ERP) payments and highlight some important dates.

Increase in the tax free threshold

The standard deduction is commonly referred to as the ‘tax free threshold’. It is the amount of income that is included in your income tax return but is not taxed. In 2020 and 2021 the standard deduction for individual taxpayers increased.

Tax year ended 31 December 2019

The standard deduction was \$11,000. This means the first \$11,000 of income included in your tax return will not be taxed.

Tax year ended 31 December 2020

For the tax year ended 31 December 2020 the standard deduction increased from \$11,000 to \$12,800. This increase provides individuals with an additional \$1,800 tax free income. In total \$12,800 of your income will not be taxed.

Tax year ended 31 December 2021

For the tax year ending 31 December 2021 the standard deduction increases from \$12,800 to \$14,600. This increase provides an additional \$1,800 tax free income for individuals. In total \$14, 600 of your income will not be taxed.

Important dates

1 February 2021	<ul style="list-style-type: none">✓ Employers must file PAYE reconciliations✓ Employees must issue their employees tax deduction certificates✓ Banks interest paid reconciliations are due✓ Banks issue interest earnings certificate to customers
1 March 2021	✓ Individual income tax returns must be filed by this date
1 May 2021	✓ All remaining taxpayers must file their income tax returns by this date - this includes sole traders and partnerships
1 June 2021	✓ First provisional tax instalment due – this applies to taxpayers whose income tax return for the tax year ended 31 December 2020 resulted in terminal tax payable of more than \$5,000
1 November 2021	✓ Income tax payments are due
1 December 2021	✓ Second provisional tax installment is due

How should payments received under the ERP be treated for tax purposes?

ERP payment	Include in VAT returns	Include in income tax returns?	Comment
Businesses			
Sole Trader Business Grant – Phase I	No	No	
Sole Trader Business Grants – Phase II	No	Yes	This covers the second and third sole trader grant payments. Show as “other income” in tax return.
Business Grant – Phase I	No	No	
Wage Subsidy - Phase I	No	No	
Wage Subsidy and Training Subsidy – Phase II	No	Yes	Show as “other income” in financial statements.
Training Grant	No	No	
Interest Relief Payment – Interest claimed as an expense	No	Yes	Reduce interest expense by any interest relief payments received in the financial statements
Interest Relief Payment – Interest not claimed as an expense	No	No	
Individuals			
Unemployment Benefit	No	Yes	

Need more information about the ERP?

Additional information regarding all of the ERP measures can be located on the MFEM website at [Economic Planning - Cook Islands - Ministry of Finance and Economic Management \(mfem.gov.ck\)](http://mfem.gov.ck). All documents are accessed via the ‘Economic Planning Menu’ which is located at the top right of the page.

Online services

Our eTax online system provides quick access to account balances, allows you to file tax returns online and provides instant notices of assessments. You can register for free to use our eTax online system at tax.cookislands.gov.ck.

Need further assistance?

We have a dedicated outreach and education team that can help you file your tax returns. If you have queries they can be contacted at tax.info@cookislands.gov.ck.

[End]
19 February 2021