Examined and certified by:

Clerk of the Parliament

In the name and on behalf of His Majesty King Charles III, I hereby assent to this Act this 18th day of April, 2023

King's Representative

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An Act to—

(a) provide targeted economic stimulus and financial support to people living in the Pa Enua by increasing the standard supplemental deduction for those individuals; and

(b) correct an error in the principal Act relating to the assessment of provisional tax payable in a current tax year.

The Parliament of the Cook Islands enacts as follows—

1 Title

This Act is the Income Tax Amendment Act **2023**.

2 Commencement

(1) This Act comes into force on a date appointed by the King's Representative by Order in Executive Council.

(2) One or more orders may be made appointing different dates for the commencement of different provisions.

(3) Section 11 comes into force on 28 February 2018.

3 Principal Act amended

This Act amends the Income Tax Act 1997.

Amendments related to supplemental deduction for Pa Enua

4 Section 2 amended (Interpretation)

In section 2, insert in its appropriate alphabetical order:

"**Pa Enua** means the islands in the list in **Schedule 1AA**"

5 Section 44 replaced (Standard supplemental deduction for individuals)

Replace section 44 with:

"**44 Standard supplemental deduction for individuals residing in Raratonga**

"(1) In calculating the assessable income for any income year of any person who is a natural person (who is not merely acting as a trustee), a deduction must be allowed, in addition to any other deduction allowed under this Act, as follows:

"(a) for a person who is resident in Rarotonga, a deduction of—

"(i) the person's taxable income for that year; or

"(ii) $14,600 of the person's taxable income if the person's taxable income for that year is more than $14,600:

"(b) for a person who is not a resident in Rarotonga and to whom **section 44A(1)(a)** does not apply, a deduction of the amount calculated as follows:

$$"a \times \frac{b}{365}$$

"where—

"*a* is the person's taxable income for that year, or $14,600 of the person's taxable income if the person's taxable income for that year is more than $14,600

"*b* is the number of days the person is present in Rarotonga during that year

"(c) for a person who permanently leaves or permanently arrives in Rarotonga, a deduction of the amount calculated in accordance with the formula set out in **paragraph (b)**.

"(2) In this section, taxable income, in relation to a person, does not include a dividend received by the person from any company where the company has elected to deduct the dividend under section 59(k).

"(3) In this section, **clause 3 of Schedule 1,** and **clause 2 of Schedule 2, resident in**, in relation to being resident in Rarotonga, means a person made their home and was present in Rarotonga for a period of at least 183 days (cumulative not concurrent) in the relevant tax year.

"(4) For the purpose of **subsection (3)**, a person is to be treated as present in Rarotonga if they are away from their home because they are—

"(a) undertaking education whether in the Cook Islands or overseas:

"(b) overseas in the service in any capacity of the Government of the Cook Islands or as the spouse of such a person (if the spouse is absent with that person):

"(c) overseas for the sake of their health or the health of their spouse or child:

"(d) visiting the Pa Enua for the purpose of business or employment:

"(e) travelling away from or back to Rarotonga for any of the purposes in paragraphs (a) to (d)."

"**44A Standard supplemental deduction for individuals residing in Pa Enua**

"(1) In calculating the assessable income for any income year of any person who is a natural person (who is not merely acting as a trustee), a deduction must be allowed, in addition to any other deduction allowed under this Act, as follows:

"(a) for a person who is resident in the Pa Enua, a deduction of—

"(i) the person's taxable income for that year; or

"(ii) $60,000 of the person's taxable income if the person's taxable income for that year is more than $60,000:

"(b) for a person who is not a resident in the Pa Enua and to whom **section 44** does not apply, a deduction of the amount calculated as follows:

$$"a \times \frac{b}{365}$$

"where—

"*a* is the person's taxable income for that year, or $60,000 of the person's taxable income if the person's taxable income for that year is more than $60,000

"*b* is the number of days the person is present in the Pa Enua during that year

"(c) for a person who permanently leaves or permanently arrives in the Pa Enua, a deduction of the amount calculated in accordance with the formula set out in **paragraph (b)**.

"(2) In this section, taxable income, in relation to a person, does not include a dividend received by the person from any company where the company has elected to deduct the dividend under section 59(k).

"(3) In this section, **clause 3A of Schedule 1**, and **clause 2A of Schedule 2, resident in**, in relation to being resident in the Pa Enua, means a person made their home and was present on 1 or more islands in the Pa Enua for a period of at least 183 days (cumulative not concurrent) in the relevant tax year.

"(4) For the purpose of **subsection (3)**, a person is to be treated as present in the Pa Enua if they are away from their home because they are—

"(a) undertaking education whether in the Cook Islands or overseas:

"(b) overseas in the service in any capacity of the Government of the Cook Islands or as the spouse of such a person (if the spouse is absent with that person):

"(c) overseas for the sake of their health or the health of their spouse or child:

"(d) visiting Rarotonga for the purpose of business or employment:

"(e) travelling away from or back to the Pa Enua for any of the purposes in paragraphs (a) to (d)."

6 New Schedule 1AA inserted

Before Schedule 1, insert as **Schedule 1AA** the schedule set out in Schedule 1 of this Act.

7 Schedule 1 amended

In Schedule 1, replace clause 3 with:

"**3. Natural persons resident in Rarotonga**

"For the purposes of section 40, the basic rate for each taxpayer who is an individual natural person (who is not merely acting as a trustee) and resident in Rarotonga is the amount set out in the following table:

Taxable income ($)	Basic rate for each dollar of taxable income
14,600 or less	Tax free
14,601 to 30,000	17 cents
30,001 to 80,000	27 cents
More than 80,000	30 cents

"**3A. Natural persons resident in Pa Enua**

"For the purposes of section 40, the basic rate for each taxpayer who is an individual natural person (who is not merely acting as a trustee) and resident in the Pa Enua is the amount set out in the following table:

Taxable income ($)	Basic rate for each dollar of taxable income
60,000 or less	Tax free
60,001 to 80,000	27 cents
More than 80,000	30 cents

8 Schedule 2 amended

(1) In Schedule 2, replace clause 2 with:

"**2. Payments for pay periods of weekly duration for persons resident in Rarotonga**

"(1) From each payment of salary or wages where the payment is for a weekly pay period, the basic tax deduction is the following:

"(a) for primary income, the amount set out in Schedule 2A that corresponds to the weekly income amount:

"(b) for secondary income, the following:

"(i) 17% of the amount set out in Schedule 2A that corresponds to the weekly income amount, if the employee's total income is $30,000 or less for the income year; or

"(ii) 27% of the amount set out in Schedule 2A that corresponds to the weekly income amount, if the employee's total income is more than $30,000 but of or less than $80,000; or

"(iii) 30%, if the employee's total income is more than $80,000.

"(2) Subclause (1)(b) applies unless the Collector otherwise determines under section 153."

"**2A. Payments for pay periods of weekly duration for persons resident in Pa Enua**

"(1) From each payment of salary or wages where the payment is for a weekly pay period, the basic tax deduction is the following:

"(a) for primary income, is the amount set out in Schedule 2B that corresponds to the weekly income amount:

"(b) for secondary income, is the following:

"(i) 27% of the amount set out in Schedule 2B that corresponds to the weekly income amount, if the employee's total income is more than $60,000 but of or less than $80,000; or

"(ii) 30%, if the employee's total income is more than $80,000.

"(2) Subclause (1)(b) applies unless the Collector otherwise determines under section 153."

(2) In Schedule 2, clause 3, replace "Schedule 2A" with "Schedule 2A or 2B (as relevant)".

(3) In Schedule 2, replace clause 4 with:

"**4 Payments for other cases**

"(1) From each payment of salary or wages where neither **A nor B** applies, the basic tax deduction is, in respect of so much of the payment as is for the services of the employee during any week ending with a Saturday (calculated in accordance with section 150, if applicable), the amount that would be made under **C and D** if the payment or the part payment, as the case may be, were for a weekly pay period ending with that Saturday.

"(2) In this clause—

A nor B means—

"(a) for Rarotonga, clause 2 or 3:

"(b) for Pa Enua, clause 2A or 3

C and D means—

"(a) for Rarotonga, clause 1 and Schedule 2A:

"(b) for Pa Enua, clause 1 and Schedule 2B."

9 Schedule 2A heading replaced

Replace the Schedule 2A heading with:

"SCHEDULE 2A
"PAYE SCHEDULE FOR RESIDENTS OF RAROTONGA"

10 New Schedule 2B inserted

After Schedule 2A, insert as **Schedule 2B** the schedule set out in Schedule 2 of this Act.

Amendment related to provisional tax assessment

11 Section 175 amended (Amount of provisional tax)

Replace section 175(3) with:

"(3) Despite subsection (1), if a provisional taxpayer expects to have a tax liability in year A of an amount of $20,000 or more, the provisional tax payable for year A is the expected amount minus any tax deductions or withholding of tax made from any source deduction payments or withholding income included in the income in year B."

Schedule 1
New Schedule 1AA inserted

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SCHEDULE 1AA
LIST OF ISLANDS IN PA ENUA

Atiu
Aitutaki
Mangaia
Manihiki
Manuae
Mauke
Mitiaro
Nassau
Palmerston
Penrhyn
Pukapuka
Rakahanga
Suwarrow
Takutea

Schedule 2
New Schedule 2B inserted

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SCHEDULE 2B
PAYE SCHEDULE FOR RESIDENTS OF PA ENUA

1152	0.27	1313	43.74	1474	87.21
1153	0.54	1314	44.01	1475	87.48
1154	0.81	1315	44.28	1476	87.75
1155	1.08	1316	44.55	1477	88.02
1156	1.35	1317	44.82	1478	88.29
1157	1.62	1318	45.09	1479	88.56
1158	1.89	1319	45.36	1480	88.83
1159	2.16	1320	45.63	1481	89.10
1160	2.43	1321	45.90	1482	89.37
1161	2.70	1322	46.17	1483	89.64
1162	2.97	1323	46.44	1484	89.91
1163	3.24	1324	46.71	1485	90.18
1164	3.51	1325	46.98	1486	90.45
1165	3.78	1326	47.25	1487	90.72
1166	4.05	1327	47.52	1488	90.99
1167	4.32	1328	47.79	1489	91.26
1168	4.59	1329	48.06	1490	91.53
1169	4.86	1330	48.33	1491	91.80
1170	5.13	1331	48.60	1492	92.07
1171	5.40	1332	48.87	1493	92.34
1172	5.67	1333	49.14	1494	92.61
1173	5.94	1334	49.41	1495	92.88
1174	6.21	1335	49.68	1496	93.15
1175	6.48	1336	49.95	1497	93.42
1176	6.75	1337	50.22	1498	93.69
1177	7.02	1338	50.49	1499	93.96
1178	7.29	1339	50.76	1500	94.23
1179	7.56	1340	51.03	1501	94.50
1180	7.83	1341	51.30	1502	94.77
1181	8.10	1342	51.57	1503	95.04
1182	8.37	1343	51.84	1504	95.31
1183	8.64	1344	52.11	1505	95.58
1184	8.91	1345	52.38	1506	95.85
1185	9.18	1346	52.65	1507	96.12
1186	9.45	1347	52.92	1508	96.39
1187	9.72	1348	53.19	1509	96.66
1188	9.99	1349	53.46	1510	96.93
1189	10.26	1350	53.73	1511	97.20
1190	10.53	1351	54.00	1512	97.47

1191	10.80	1352	54.27	1513	97.74
1192	11.07	1353	54.54	1514	98.01
1193	11.34	1354	54.81	1515	98.28
1194	11.61	1355	55.08	1516	98.55
1195	11.88	1356	55.35	1517	98.82
1196	12.15	1357	55.62	1518	99.09
1197	12.42	1358	55.89	1519	99.36
1198	12.69	1359	56.16	1520	99.63
1199	12.96	1360	56.43	1521	99.90
1200	13.23	1361	56.70	1522	100.17
1201	13.50	1362	56.97	1523	100.44
1202	13.77	1363	57.24	1524	100.71
1203	14.04	1364	57.51	1525	100.98
1204	14.31	1365	57.78	1526	101.25
1205	14.58	1366	58.05	1527	101.52
1206	14.85	1367	58.32	1528	101.79
1207	15.12	1368	58.59	1529	102.06
1208	15.39	1369	58.86	1530	102.33
1209	15.66	1370	59.13	1531	102.60
1210	15.93	1371	59.40	1532	102.87
1211	16.20	1372	59.67	1533	103.14
1212	16.47	1373	59.94	1534	103.41
1213	16.74	1374	60.21		
1214	17.01	1375	60.48		
1215	17.28	1376	60.75		
1216	17.55	1377	61.02		
1217	17.82	1378	61.29		
1218	18.09	1379	61.56		
1219	18.36	1380	61.83		
1220	18.63	1381	62.10		
1221	18.90	1382	62.37		
1222	19.17	1383	62.64		
1223	19.44	1384	62.91		
1224	19.71	1385	63.18		
1225	19.98	1386	63.45		
1226	20.25	1387	63.72		
1227	20.52	1388	63.99		
1228	20.79	1389	64.26		
1229	21.06	1390	64.53		
1230	21.33	1391	64.80		
1231	21.60	1392	65.07		
1232	21.87	1393	65.34		
1233	22.14	1394	65.61		
1234	22.41	1395	65.88		
1235	22.68	1396	66.15		

For every dollar paid over $1,534, the tax to be deducted is 30 cents

1236	22.95	1397	66.42
1237	23.22	1398	66.69
1238	23.49	1399	66.96
1239	23.76	1400	67.23
1240	24.03	1401	67.50
1241	24.30	1402	67.77
1242	24.57	1403	68.04
1243	24.84	1404	68.31
1244	25.11	1405	68.58
1245	25.38	1406	68.85
1246	25.65	1407	69.12
1247	25.92	1408	69.39
1248	26.19	1409	69.66
1249	26.46	1410	69.93
1250	26.73	1411	70.20
1251	27.00	1412	70.47
1252	27.27	1413	70.74
1253	27.54	1414	71.01
1254	27.81	1415	71.28
1255	28.08	1416	71.55
1256	28.35	1417	71.82
1257	28.62	1418	72.09
1258	28.89	1419	72.36
1259	29.16	1420	72.63
1260	29.43	1421	72.90
1261	29.70	1422	73.17
1262	29.97	1423	73.44
1263	30.24	1424	73.71
1264	30.51	1425	73.98
1265	30.78	1426	74.25
1266	31.05	1427	74.52
1267	31.32	1428	74.79
1268	31.59	1429	75.06
1269	31.86	1430	75.33
1270	32.13	1431	75.60
1271	32.40	1432	75.87
1272	32.67	1433	76.14
1273	32.94	1434	76.41
1274	33.21	1435	76.68
1275	33.48	1436	76.95
1276	33.75	1437	77.22
1277	34.02	1438	77.49
1278	34.29	1439	77.76
1279	34.56	1440	78.03
1280	34.83	1441	78.30
1281	35.10	1442	78.57

1282	35.37	1443	78.84
1283	35.64	1444	79.11
1284	35.91	1445	79.38
1285	36.18	1446	79.65
1286	36.45	1447	79.92
1287	36.72	1448	80.19
1288	36.99	1449	80.46
1289	37.26	1450	80.73
1290	37.53	1451	81.00
1291	37.80	1452	81.27
1292	38.07	1453	81.54
1293	38.34	1454	81.81
1294	38.61	1455	82.08
1295	38.88	1456	82.35
1296	39.15	1457	82.62
1297	39.42	1458	82.89
1298	39.69	1459	83.16
1299	39.96	1460	83.43
1300	40.23	1461	83.70
1301	40.50	1462	83.97
1302	40.77	1463	84.24
1303	41.04	1464	84.51
1304	41.31	1465	84.78
1305	41.58	1466	85.05
1306	41.85	1467	85.32
1307	42.12	1468	85.59
1308	42.39	1469	85.86
1309	42.66	1470	86.13
1310	42.93	1471	86.40
1311	43.20	1472	86.67
1312	43.47	1473	86.94

This Act is administered by the Revenue Management Division of the Ministry of Finance and Economic Management.

Printed under the authority of the Cook Islands Parliament—2023.