

INCREASE IN TAX-FREE THRESHOLD PUTS MORE MONEY IN WORKERS' POCKETS

Wage earners will be receiving a boost in take-home pay when an increase in the income tax-free threshold comes into effect on 1 July 2020.

This timely measure provides additional financial support for households as the Cook Islands moves forward with its post-COVID-19 economic recovery.

The annual income tax-free threshold will be increased from the current \$11,000 to \$14,600. This is an increase of \$3,600 or 33 per cent, and will be carried out in two stages:

- From 1 July 2020, the annual threshold will be raised to \$12,800
- from 1 January 2021, the annual threshold will rise to \$14,600

The higher tax-free threshold offers an immediate cash benefit to all tax-paying workers earning more than \$211 per week, providing livelihood support for households as the economy recovers. All taxpayers will benefit, however those on lower incomes will receive a larger proportional benefit.

This is a long-term economic stimulus measure. By increasing take-home pay for individuals, this puts more money in their pocket and will boost spending in the local economy.

All Cook Islands employees that have PAYE deducted from their payslip and earn more than \$11,000 per year will benefit from the measure - there is no need to apply. Employers will adjust weekly/ fortnightly wage payments from the first pay period after 1 July 2020 to account for the increase. The revised tax-free threshold will remain in place after the pandemic has passed, continuing to benefit households for the future.

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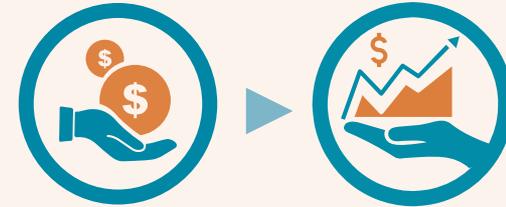


Table 1: Impact of revised tax-free threshold, by salary level

Annual salary level	Current income tax payable	New threshold: 1 Jul 2020	New threshold 1 Jan 2021
		Tax payable	Tax payable
\$14,600	\$612	\$306	\$0
\$17,500	\$1,105	\$799	\$493
\$20,000	\$1,530	\$1,224	\$918
\$30,000	\$3,230	\$2,924	\$2,618
\$40,000	\$5,930	\$5,624	\$5,318
\$50,000	\$8,630	\$8,324	\$8,018
\$60,000	\$11,330	\$11,024	\$10,718
\$70,000	\$14,030	\$13,724	\$13,418
\$80,000	\$16,730	\$16,424	\$16,118
\$90,000	\$19,730	\$19,424	\$19,118
\$100,000	\$22,730	\$22,424	\$22,118

