



MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT  
GOVERNMENT OF THE COOK ISLANDS

Revenue Management Division

MEDIA RELEASE

International company update (March 2021) - removal of tax exemptions for International Companies registered in the Cook Islands under the International Companies Act 1981-82

The purpose of this month's message for international companies (ICs) registered in the Cook Islands is to ensure that sufficient notice is published regarding the recent changes to taxation of ICs in the Cook Islands and associated tax obligations. This update is part of a series of such monthly updates planned for 2021 as ICs, their intermediaries and the Revenue Management Division (RMD) work towards a well informed and efficient integration for ICs into the Cook Islands tax system.

RMD anticipates that around 800 existing ICs need to become familiar with newly acquired obligations by 1 January 2022 and shortly thereafter.

**New tax obligations and residency rules for international companies**

The International Companies (Removal of Tax Exemption) Amendment Act 2019 came into force on 17 December 2019 thereby removing tax exemptions for ICs; and with further amendments provided by the Income Tax Amendment Act 2019; ICs become resident for tax purposes in the Cook Islands and subject to the Cook Islands Income Tax Act 1997.

These new tax obligations require ICs to register with the Revenue Management Department (RMD) by applying for a RMD tax number (RMD Number). The new tax obligations also mean that ICs are required to assess their Cook Islands taxable income for each income year, calculate any tax to pay, file company tax returns (including NIL returns along with financial statements), and make any payments to RMD by the appropriate due dates.

The new tax obligations apply with immediate effect to ICs incorporated after 17 December 2019, whereas ICs incorporated before 17 December 2019 have been provided a transition period (also known as a grandfathering period).

**Transition period**

A transition period (also known as a grandfathering period) is provided for ICs existing as at 17 December 2019 so that tax exemptions are removed on 31 December 2021. ICs that qualify for the transition period need to take note that this transition period does not cover income derived from newly acquired assets or new business activities started after 17 December 2019 by the IC.

The transition period means that for ICs existing as at 17 December 2019 the registration with RMD, reporting of income and filing of tax returns apply from 1 January 2022 (except for income derived from newly acquired assets or new business activities from 17 December 2019).

### **Registration and applying for a Cook Islands tax number**

International companies that are not covered by the transition period are required to make an application for a RMD Number within 28 days of a new business activity (such as incorporation). International companies that are covered by the transition period are required to make an application for a RMD Number on or before 1 January 2022.

Application for a RMD Number is made by completing and filing an RM2 form (along with relevant evidentiary documents) with RMD. The RM2 may be downloaded from the RMD website <http://mfem.gov.ck/rmd-tax> by selecting [Forms and Guides, then Tax Return and Registrations, then Registrations tab, then select Business Application – RM2](#)<sup>1</sup>. Important information that RMD requires includes the following information:

- ✓ Register of Directors and Secretary (both resident and non-resident).
- ✓ Register of members and shareholders (both resident and non-resident).
- ✓ Certificate of registration.

The completed RM2 and any enquires should be sent to [tax.info@cookislands.gov.ck](mailto:tax.info@cookislands.gov.ck).

### **Tax year, due dates and approved forms**

The Cook Islands income tax year runs from 1 January to 31 December and taxpayers are required to file returns and make payments on or before the due dates to avoid additional taxes and interest charges being applied for overdue transactions. The following list highlight items that ICs need to be aware of, further details are available at [www.mfem.gov.ck/rmd-tax](http://www.mfem.gov.ck/rmd-tax) :

- ✓ A company return of income is due on 31 May of the year following the income tax year.
- ✓ An international company is required to complete and file an RM6 online either directly or through their tax agent using eTax Online at <https://tax.cookislands.gov.ck>.
- ✓ Income tax is due on 1 November of the year following the income tax year.
- ✓ The company tax rate is 20% for ICs and 28% for foreign companies.
- ✓ Provisional tax is payable in two instalments, 1 June and 1 December of the income tax year.
- ✓ Withholding tax of 15% must be deducted on dividends, interest and royalties paid to non-residents of the Cook Islands and is payable on the 20<sup>th</sup> day of the month following the deduction of withholding tax.

### **Enquiries, guides and tax intermediaries**

Enquiries for assistance, concerns or further information on understanding and fulfilling tax obligations may be emailed to [tax.info@cookislands.gov.ck](mailto:tax.info@cookislands.gov.ck). Please insert [“international company query”](#) in the subject line.

Tax guides and information may be found on the Ministry of Finance and Economic Management website at <http://www.mfem.gov.ck/rmd-tax/rmd-forms-guides/rmd-tax-guides>.

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<sup>1</sup> <http://www.mfem.gov.ck/rmd-tax/rmd-forms-guides/rmd-tax-return-and-registration#registrations>

RMD is working closely with intermediaries such as Trustee Companies and tax agents to ensure that ICs have access to qualified and professional representation for completing Cook Islands requirements.

Financial Industry information regarding registered ICs, legislative amendments and contact details for Trustee Companies may be found on the Financial Supervisory Commission website at [WIIVW.fsc.gov.ck](http://WIIVW.fsc.gov.ck).

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8 April 2021