

PARLIAMENT OF THE COOK ISLANDS

INCOME TAX AMENDMENT BILL

EXPLANATORY NOTE

The *Income Tax Amendment Bill 2014* (the **Bill**) provides for amendments to the *Income Tax Act 1997* (the **Income Tax Act**). The purpose of the Bill is to require the Crown to deduct tax from the old age pension under Part IX of the Income Tax Act.

This note does not form part of the Bill but is intended to indicate its effect, and to identify the more important aspects of the Bill.

Clause 1 This section provides that the title of the Bill, when enacted, is the Income Tax Amendment Bill 2014.

Clause 2 This section provides that the Bill, when enacted, comes into force on 1 March 2014.

Clause 3 This section provides that the Bill amends the Income Tax Act.

Clause 4 This section amends the definitions of **employer**, **employment income** and **salary or wages** in section 2 of the Income Tax Act.

Subsection (1) amends the definition of **employer** by inserting a new paragraph (d) into the definition. This amendment clarifies that the definition of **employer** includes the Crown. Subsections (2) and (3) amend the definitions of **employment income** and **salary or wages** to expressly include payments derived under the *Welfare Act 1989*. These amendments directly alter the definition of **source deduction payments** which now incorporates payments made under the *Welfare Act 1989*.

The combined effect of the amendments in subsections (1), (2) and (3) is that government agencies responsible for paying benefits to recipients under the *Welfare Act 1989* are required to deduct tax from these payments in accordance with Part IX of the Income Tax Act.

Clause 5 This section amends section 144 of the Income Tax Act. Part IX of the Income Tax Act is stated to expressly bind the Crown.
