



e-TAX NEWS

(September/2016)

To our valuable customers and business associates,

Money received in advance for services to be rendered or the use or enjoyment of property to be dealt with

We wish to highlight that effective from the year of assessment 2016, any money received in advance for services rendered or to be rendered, or for the use or enjoyment of property dealt or to be dealt with shall be treated as gross income of that person for the relevant period in accordance to the amendments made to Section 24 of the Income Tax Act, 1967. The Inland Revenue Board (“IRB”) has clarified that “security deposit”, “forfeit deposit” and “return deposit” are not advance payments falling under the above new provision as it is not meant for future services, therefore it is not part of the income to be included as advance payment.

Please note that the above amendment is related to advance receipt for the provision of services and rental for the use of property but does not include the sales of goods.

Editor’s comments

As a result of the above clarification obtained from the IRB, we would advise that any advance receipt which is not reflected or recognised as revenue during the year should be examined to determine whether the above amendment is applicable. We also wish to reiterate that the above amendment is only affecting money received in advance for the provision of services and for the use of property. If the above is applicable, the advance receipt will be taxable in the year of receipt and the tax estimate furnished to the IRB must be revised accordingly in order to avoid any potential under estimation tax penalty.

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