

A. G.

Attorney General gave me a copy of the Cyprus Income Tax Law and asked me to examine it. The following points may be noted -

1. It is dated 18-4-41 but comes into operation from 1-1-41. The year of assessment is the calendar year.

Ours is the financial year ending 31st March.

We need make no change.

2. The Rates (see p.55) are much higher than those proposed by Financial Secretary. They are also substantially higher than those proposed by me up to LP 1100. On LP 1100 to LP 1900 they are about the same or a little lower. On LP 2000 and LP 2500 they are the same. On LP 4000 they are a little higher.

I would be glad to see the Cyprus method and rates adopted (the Secretary of State presumably would accept them) or in the light of the Cyprus rates, I would propose an increase in my rates. This could be done most conveniently by stopping the 5% rate at LP 600 and going up by 5% with each LP 400.

3. Cyprus has adopted what is to me a novel method of relieving the married man. No marriage or family allowances are granted but the rates on bachelors are doubled.

I think our method may stand, especially as some allowance is evidently required in Palestine for dependents.

4. The Cyprus exemption limit is much lower than ours, - LP 150 as against a practical LP 400.

I would like to see our effective exemption limit lowered and I am sure the public expects a lower limit. But I do not think there is now time to deal in 1941-42 with the number of assessments we would have if the limit were lowered.

5. In the charging section Cyprus has added "the value of any produce receivable in respect of the use of capital, property, seed or stock for the purpose of husbandry or any share of profits receivable in respect of such use".

This subsection seems hardly necessary; but it may usefully be inserted by way of abundant caution."

6. Under the exemptions for charitable institutions section 8(d) Cyprus has added "in so far as such income was during the year immediately preceding the year of assessment applied to charitable purposes".

It might help if we added this.

7. Cyprus has exempted cooperative societies altogether.

I have an amendment to propose to our section about them. See attached note. - already given to AG.

8. Cyprus has specifically omitted scholarships etc.

This question will not arise with us till our exemption limit is lowered.

9. Under "Deductions not allowed" section 12, Cyprus has added several curious provisions:

- (a) Cost of travelling between residence and place of business.

It would be helpful if we add this.

- (b) Rent of premises <sup>owned</sup> ~~is~~ and use in business.

This is surely redundant.

- (c) Remuneration or interest on capital paid or credited to himself.

This, too, looks redundant but there is no harm in adding it, - abundant caution again.

(d) Cost of goods taken out of business for proprietor's use.

Again probably redundant but useful - may be added.

(e) Any payments of a voluntary nature.

This would be decidedly useful in Palestine!

10. Under trade losses section 13 Cyprus provides that a loss incurred outside the colony is not to be allowed.

I do not think we should adopt this. If the loss is not clearly proved I would disallow it in making an assessment.

11. Under section 32 there is provision for referring any question to a committee.

We certainly should not adopt this.

12. In section 53 Cyprus has a curious provision that the ordinary deductions are not to be allowed unless proper accounts have been produced.

This seems unnecessary, for our assessments will be net ones. But it might usefully be added.

