BDO

Expatriate News

April 2005

There have been changes in many countries recently and this issue of BDO Expatriate News looks at the way they affect expatriate employees and their employers. Further information can be obtained from your normal BDO contact or the BDO Expatriate Services contacts at the end of the newsletter.

Africa

New tax treaties

The first treaties have been signed between Algeria and the Ukraine, Botswana and the Seychelles, Lesotho and Mauritius, Morocco and China, Morocco and Kuwait, Morocco and Malta, Nigeria and Sweden, and South Africa and Ghana.

Belgium

No irrefutable presumption that Director of Belgian company is self-employed

On 3 November 2004 the Belgian Court of Arbitration (CA) gave a ruling on the compatibility of the irrefutable presumption that a Director of a Belgian company is presumed to be practicing a self-employed professional activity and the constitutional principle of equality.

Since 1 January 1997, a person who is appointed as a mandate holder in a company subject to Belgian resident or non-resident corporate income tax is irrefutably deemed to be self-employed. In practice, the social security authorities for self-employed persons are of the opinion that a Belgian company mandate holder is irrefutably deemed to have the social status of a self-employed person. and that no evidence to the contrary is possible.

By means of a preliminary question to the CA, the question was asked whether there is an unjustified difference between the treatment of persons appointed as company mandate holders and all other persons. The former cannot contest their treatment as self-employed persons for social security contribution purposes. The latter, on the

other hand, are deemed to have the status of self-employed persons from the moment they practice a self-employed professional activity.

An historical analysis undertaken before the Court's conclusion showed that:

- If a person is to be treated as a self-employed person, it is required that he practices a self-employed professional activity in Belgium. If he does not practice any such activity in Belgium, he will not be subject to self-employed status.
- To avoid disputes, the Belgian legislator introduced a Royal Decree on 18 November 1996 by which persons appointed as company mandate holders of a company subject to Belgian resident or non-resident corporate income tax are irrefutably be deemed to practice a Belgian self-employed profession.
- According to this Royal Decree, the new regulation had only one purpose, namely to spare the administration the trouble of contesting the assertion that a company mandate holder had never set foot on Belgian ground, because he fulfilled his mandate in the Belgian company from abroad.

As a result, the CA ruled that company mandate holders who manage the Belgian company from abroad are irrefutably deemed to practice a Belgian self-employed professional activity. Company mandate holders who manage the Belgian company within Belgium are, however, able to counter the presumption of being subject to Belgian self-employed status. Therefore, the irrefutable presumption in the Royal Decree is illegal as regards Belgian directors of Belgian companies and they can establish that they do not practice a self-employed activity in Belgium.

Botswana

Budget 2005

The 2005 Budget was presented to the National Assembly by the Minister of Finance and Development Planning, who announced that the Government will undertake a comprehensive review of the Income Tax Act of 1995 to consolidate all the amendments made to the Act in order to remove any uncertainties and inconsistencies. The consolidated Income Tax Bill will be presented to the National Assembly in 2006.

It was also announced that the Botswana Unified Revenue Service (BURS) will intensify its income tax audit programme and where necessary impose penalties in accordance with the provisions of the law, in order to improve tax compliance.

European Court

Norwegian dividend withholding tax

The European Court of Justice (ECJ) has ruled in the Fokus Bank case, which questioned the Norwegian tax credit for Norwegian dividends.

Two foreign shareholders, residing in the UK and in Germany, held shares in Fokus Bank ASA, a company resident in Norway. Norwegian domestic tax legislation allows Norwegian tax residents who receive Norwegian-source dividends full credit for the dividend withholding tax imposed by the Norwegian company. However, Norwegian non-resident taxpayers are not granted this credit and a 15 per cent dividend withholding tax is imposed under the applicable double tax agreements.

The two foreign shareholders sold their shares to Norwegian shareholders just before the dividends were payable, in order to avoid the dividend withholding tax. Nevertheless, the Norwegian tax authorities issued an additional dividend withholding tax assessment on the dividends paid to the former shareholders.

The European Economic Area Court of Justice (which performs a similar function to the ECJ) ruled that the Norwegian regulations which provide for a credit for Norwegian-resident taxpayers only breached the right of free movement of capital within the EC. According to the Court, the regulations encouraged Norwegian residents to invest within the territory of Norway. This limits the freedom to chose to invest in any company and is not in conformity with EU/EEA legislation.

German deductibility of alimony payments

On 7 February 2005 the Attorney-General of the ECJ ruled in the Schemp case, which concerned the fact that German-resident taxpayers can deduct alimony

payments made to former spouses.

German tax legislation allows alimony payments made to former spouses to be deducted from German taxable income if the former spouse resides in Germany. However, if the former spouse does not reside in Germany, the alimony payments are only deductible where the foreign tax authorities issue a statement that the alimony payments are taxable under the foreign tax regime.

The Attorney-General decided that in this particular case the freedom of capital movement is at stake. It was concluded that the German regulations do not discriminate on the basis of nationality. The situation where a German-resident taxpayer makes alimony payments to another German-resident taxpayer is not the same as the situation where a German-tax resident makes alimony payments to a German non-resident taxpayer. In this case the different treatment of the alimony payments is caused by a disparity between the German and the foreign tax regimes and this disparity cannot be challenged on the basis of EU law. In addition, according to the Attorney-General, the German tax regulations were not in conflict with EU citizenship.

German reimbursement of travelling expenses for trainees

On 7 February 2005 the Attorney-General of the ECJ also ruled in the Kranemann case, which related to Mr Kranemann, a German tax resident. Mr Kranemann is a trainee who spends part of his traineeship in Germany and part in other EU Member States.

German tax legislation enables trainees to receive a tax-free reimbursement of the travelling expenses that they incur during their training period. However, the reimbursement is limited to the travelling expenses that are incurred while travelling in Germany.

According to the Attorney-General this German tax regulation conflicts with the freedom of movement of employees within the EC.

Guernsey

New residence rules offer planning opportunities

Proposals to amend the Guernsey legislation determining an individual's residence for tax purposes have recently been approved by the States of Guernsey. Residence is fundamental to determining the amount of income that is charged to tax in Guernsey.

The Authorities recognize three types of residence: non-resident, principally (or solely) resident and resident only.

Non-residents are only subject to tax on Guernsey-source income other than bank interest. Individuals classed as principally resident (the vast majority of people on the Island) are liable to Guernsey income tax on their worldwide income wherever arising.

In contrast, individuals classed as resident only are liable to Guernsey tax only on Guernsey source income and on foreign income to the extent that it is remitted to the Island. Clearly, the resident only status is beneficial as individuals pay tax on their non-Guernsey source income on a voluntary basis to the extent that it is remitted.

The problem over the years has been that in a number of cases the legislation has not clearly defined the boundaries between the resident only and principally resident categories. The new legislation, which will come into effect on 1 January 2006, aims to simplify the existing rules and provide more certainty by replacing the current subjective tests with an objective test, simply based upon the length of time spent in Guernsey or elsewhere.

The new legislation will not affect non-residents. However, the resident only and principally resident categories individuals will be treated as resident in Guernsey if they spend 91 days or more on the Island during a calendar year. Presence in Guernsey at midnight is the key fact which results in a day being counted for Guernsey tax residence purposes.

Resident individuals will be treated from 1 January 2006 as principally resident if either of the following tests applies:

- The individual is resident in Guernsey and not resident in another territory. To be treated as resident in another territory, the same rules that apply in Guernsey are applied to the other territory, in other words the individual must be present in the other territory for 91 days

(midnights) or more during the calendar year. It is not necessary to be classed as resident under the rules of that other territory.

- The individual spends 182 days or more per year in Guernsey, or he spends 91 days or more in Guernsey in one year and has averaged 182 days or more per year on the Island over the previous four years, or he takes up permanent residence in Guernsey.

The new legislation will therefore enable individuals who spend between 91 and 181 days per year in Guernsey and 91 days or more in another jurisdiction, to be treated as resident only and not principally resident in Guernsey. As resident only individuals, they will only be liable to Guernsey income tax on income arising in Guernsey and foreign income which is remitted to Guernsey. As a result, there will be scope for mobile wealthy individuals to be based in Guernsey and structure their assets to minimize their worldwide exposure to income tax.

Obviously it will be important to fully consider the tax consequences of spending lengthy periods in a jurisdiction outside Guernsey, but with proper planning the resident only status in Guernsey could be highly beneficial.

India

Budget 2005/06

The 2005 Indian Budget measures were announced in March 2005. The key changes which impact employers and their employees are set out below:

- Income tax rates are reduced for all classes of income, with a maximum tax rate of 40 per cent for income above Rs. 10m.
- The standard deduction available against salary income is abolished completely for the assessment year 2006/07.
- The value of fringe benefits which are provided directly or indirectly to an employee or former employee from 1 April 2006 onwards, will be subject to a 30 per cent Fringe Benefits Tax (FBT) payable by the employer. The FBT is not deductible in the employer's profit calculation.

A fringe benefit includes any privilege, service, facility or amenity, any reimbursement to the employee for any purpose, any free or concession travel ticket, and any contribution by the employer to an approved superannuation fund.

The cost of a fringe benefit which is a free or concession travel ticket is the total cost less any contribution by the employee and for a superannuation fund payment or scholarship, the actual amount paid. In the case of other fringe benefits, the cost is a percentage of the actual expenditure, ranging from 50 per cent for hospitality and the use of health and social clubs, to 20 per cent for the use of a car or aircraft, and down to 10 per cent for the use of a telephone. Lower percentages apply for certain fringe benefits which relate to the employer's business (for example transport and hotel companies).

Where tips and gratuities are received by employees, they will continue to be taxed on these payments as their own income subject to personal income tax, rather than to FBT on the employer. Any item charged to FBT will not be taxed on the individual employee.

The tax is payable quarterly in advance and the employer must file a new annual return of fringe benefits provided to employees, or penalties will apply.

- The corporate deduction for payments to employees who retire voluntarily will be improved retrospectively with effect from assessment year 2004/05, so that payments made in any year after retirement can be amortised over five years.
- All individuals in receipt of income must file a tax return for year of assessment 2006/07 onwards. Previously the filing requirement was based on taxable income, so that individuals claiming certain deductions were not required to file.

  Individuals who spend more than Rs. 50,000 annually on electricity must file a tax return for 2006/07 onwards (regardless of their level of income), but being a cellular phone subscriber will no longer result in the requirement to file a tax return.
- Interest on Non-Resident External accounts and on non-resident's foreign currency deposits will continue to be exempt from income tax from 1 April 2005 onwards.
- Banks will be required to levy a 0.1 per cent charge on certain banking transactions, including:
  - Cash withdrawals in excess of Rs 10,000. Purchase of demand drafts, bankers
  - cheques or other financial instruments exceeding Rs 10,000.
  - Encashment of deposits in excess of Rs 10,000, on maturity or otherwise (unless the funds are credited to an account, rather than paid out in cash).

New guidelines on employee stock options plans (ESOPs) and stock purchase schemes (ESPS) indicate that:

- The market price under these schemes will mean the latest available closing price prior to the date of the Board Meeting in which the options are granted or the shares are issued. Where shares are listed on more than one exchange, the price in the exchange with the highest trading volume on the relevant date must be used.
  - Where options are granted under an ESOP or ESPS in lieu of options held by the same person in another company on amalgamation or merger, the period during which the individual held the original shares must be adjusted by reference to the minimum vesting period under the guidelines.
  - A registered merchant bank must be appointed to implement an ESPS or ESPS up to the point that the scheme is established and has approval in principle from the stock exchanges.
  - Where a scheme is administered by a trust, the company must prepare its accounts as if it is administering the ESOP or ESPS. The accounting value of shares issued under an ESPS must be the aggregate of the price discount of all the shares issued under the scheme in the accounting period, calculated as the difference between the issue price and the market price of the shares.
  - An Indian-resident employee of the Indian office, branch or subsidiary of a foreign company is allowed to purchase shares under the foreign company's ESOP; no prior approval of the Reserve Bank of India will now be required where the foreign company has an indirect holding in the Indian company.
  - Listed Indian companies will be able to allot shares to their employees who are citizens of Sri Lanka and Bangladesh.

Indonesia

New annual non-taxable income amounts

The Minister of Finance has stipulated new annual non-taxable income amounts for resident individuals as follows:

	New	Old
Taxpayer	Rp 12,000,000	Rp 2,880,000
Spouse	1,200,000	1,440,000
Each Dependent (Maximum of three)	1,200,000	1,440,000

The amendment is effective from 1 January 2005.

Tax Amnesty

The government intends to issue a regulation or law concerning a new tax amnesty to be granted during 2005. It is expected the tax amnesty would apply to both Indonesian and foreign nationals.

The tax rate for the tax amnesty is expected to be between 5 per cent and 10 per cent of the total declared assets.

Indonesia previously granted tax amnesties in 1964 and 1984. The proposed tax amnesty is aimed at increasing tax compliance and the government's tax collections.

In order to achieve greater measure of success than in the previous tax amnesty campaigns, a total reform of the tax system is required as a pre-condition towards a simpler and more transparent tax system to encourage compliance from taxpayers.

Social security contributions

The Minister of Manpower and Transmigration has issued a decree reversing the previous position and confirming that foreign nationals working in Indonesia can claim exemption from Indonesian social security contributions.

The exemption can only be claimed where the individual can show that he remains insured in his home country system. This means that the individual can be exempt from Indonesian contributions where he pays either compulsory or voluntary social security contributions in his home country.

Lesotho

Budget 2005/06

The Budget for 2005/06 was presented to the Parliament by the Minister of Finance and Development Planning on 16 February 2005. The Minister announced that:

- The income tax threshold for individuals will be increased from LSL 880 to LSL 924 per month.
- Legislation will be introduced to provide tax incentives to companies that make contributions to, or sponsorships through, the Lesotho Sports and Recreation Commission.
- In the course of 2005 the Government will undertake a review of tax policies and administration and strengthen its revenue collection.

Netherlands

Dutch expatriate tax facility: the 30 per cent Ruling

The 30 per cent ruling in the Netherlands applies to (amongst others) employees that have specific knowledge or expertise that is scarce on the Dutch labour market. For professional soccer players this criterion has been replaced with an income test. If the test is met, then the 30 per cent ruling in principle applies. A lower court decided that the mere fact that a professional soccer player does not meet the income test is not enough to deny access to the 30 per cent ruling, provided that the employee can demonstrate in another way that he has specific knowledge or expertise that is scarce on the Dutch labour market.

Another condition for application of the 30 per cent ruling is that the employee is recruited abroad. In a case whereby a professional soccer player who lived in the Netherlands was recruited by a professional soccer team, a lower court decided that the 30 per cent ruling was still applicable as the only criterion the Dutch tax authorities have for professional soccer players to benefit from the 30 per cent ruling is the income test.

The Dutch tax authorities' policy with regard to professional soccer players seems entirely based on the income test. If that test is met, there is no additional test with regard to either any specific knowledge or expertise that is scarce on the Dutch labour market or whether the employee was recruited abroad.

Dividends: Netherlands/Germany Double Tax Agreement

On the basis of the third protocol to the Double Tax Agreement between Germany and the Netherlands, it will be possible for Dutch-resident taxpayers to credit the German dividend tax withheld on the distribution of dividends by German companies with taxable income in the Netherlands. The Protocol is effective from 1 January 2005.

Gérants: the Netherlands/France Double Tax Agreement

The Dutch Supreme Court has ruled that a Gérant is not regarded as a director under the terms of the Netherlands/France Double Tax Agreement. This position was taken after the French and Dutch tax authorities entered into a mutual agreement procedure, as provided for in the treaty. It was agreed that a Gérant is not a member of the conseil d'administration (board of directors) nor of the conseil de surveillance (supervisory board). In order for a Dutch-resident taxpayer who is a Gérant of a French company to avoid double taxation by a claim under the treaty, the income that can be allocated to the number of days actually spend in France is relevant.

Pensions: the Netherlands/USA Double Tax Agreement

On the basis of a Protocol agreed between the USA and the Netherlands, it will become easier for employees who are temporarily working in the other state to continue building up pension rights in the state of residence. The Protocol will be effective from 1 January 2005 onwards.

Portugal

Dividend income

The Portuguese income tax code determines that only 50 per cent of the dividends received by Portuguese nationals from Portuguese companies (which are liable to corporate income tax in Portugal) are taxable. The 2005 Budget has extended the application of this rule to dividends received from companies which are domiciled in other EU countries, in line with Article 2 of EU Directive 90/435/EEC.

Sale of personal residence

In July 2004 the European Commission required Portugal to amend its internal income tax code to extend another rule which is currently considered to be restrictive and discriminatory under EU law principles, in particular as regards the free movement of people and goods. If a Portuguese tax resident sells his personal abode (place of main domicile) and subsequently reinvests the proceeds in real estate which is destined to be his new main domicile (place of residency), the eventual capital gain will not be taxed in Portugal.

This treatment is, however, restricted to reinvestments made in real estate located in Portugal. The EC has stated that this legislation is discriminatory as regards foreigners (in particular, expatriate employees) who live in Portugal temporarily and for Portuguese individuals who want to go abroad following an employment offer. Portugal has not yet proceeded with the amendment to the domestic law and might be subject to sanctions.

Singapore

2005 Budget

The 2005 Singapore Budget was delivered by the Prime Minister Lee Hsien Loong (who is also the Minister of Finance) on 18 February 2005. The major proposal that impacts personal income tax is the reduction in the marginal tax rates for years of assessment 2006 and 2007. Currently, the personal income tax rates range from 4 per cent to 22 per cent with a tax-free threshold level of S$20,000. The top marginal rate is to be reduced from 22 per cent to 20 per cent, as follows:

Chargeable Income	Current Rate	YA 2006 Proposed Rate	YA 2007 Proposed Rate
S$	%	%	%
0 – 20,000	0.00	0.00	0.00
20,001 – 30,000	4.00	3.75	3.50
30,001 – 40,000	6.00	5.75	5.50
40,001 – 80,000	9.00	8.75	8.50
80,001 – 160,000	15.00	14.50	14.00
160,001 – 320,000	19.00	18.00	17.00
Over 320,000	22.00	21.00	20.00

The proposed reduction in the personal income tax rates aims to maintain Singapore as one of the most competitive personal income tax regimes in the world and to make it more attractive to internationally mobile talent.

South Africa

2005/06 Budget

The Budget for 2005/06 was presented to parliament by the Minister of Finance. Some of the highlights are:

- A marginal tax rate of 40 per cent, applicable to taxable income above R300,000
- Exemption on interest received has increased to R15,000, and to R2,000 for foreign interest
- It is proposed to introduce a monetary cap on monthly medical aid contributions made by employers.
- Motor vehicle allowance. A cap has been place on the maximum value of a vehicle of R360,000 and the private portion of kilometers travelled has increased to R16,000 kilometers.
- Travel subsistence allowances. The tax-free allowances for travel without fixed dates and the foreign travel limits will be revisited.
- Withholding tax on entertainers and sports people. A final withholding tax will be introduced on the payments made to such people visiting South Africa. The rate will be set at 5 per cent for visitors from Africa and 15 per cent for other countries.

- Definition of tax residents. Consideration is being given to changing the definition of a tax resident to allow for extended visits to South Africa by visiting expatriates. Guidelines have now been issued for foreign employees working in South Africa.

Sales of property by non-residents

Changes are proposed in relation to the withholding taxes and the sale of property by non-residents. It is proposed that an amount will have to be withheld from payments to non-resident sellers of immovable property, which will be equal to:

- 5 per cent cent of the amount payable, where the seller is an individual
- 7.5 per cent of the amount payable, where the seller is a company
- 10 per cent of the amount payable, where the seller is a trust.

This amount must be paid over to the South Africa Revenue Service within a prescribed time limit, the effective date for which has yet to be announced.

Sri Lanka

2005 Budget

The first Budget of the United People's Freedom Alliance Government, presented by the Minister of Finance and Planning, includes the following major measures relating to personal income tax:

- The tax-free allowance for individuals will remain at Rs 300,000.
- The personal income tax rates will be simplified so that the maximum tax rate will not exceed 15 per cent until income exceeds Rs 1m. The top marginal tax rate of 30 per cent will apply in respect of taxable income over Rs 1.4m.
- The rental value of a house provided to an employee by an employer will be Rs 180,000 per annum for an executive officer whose salary exceeds Rs 150,000 per month. For others employees, the rental value will remain at Rs 120,000 per annum.
- The present exemption of Rs 2m applicable to terminal employment benefits will be restricted to Rs 1m if contributions to provide these benefits are made for less than 20 years.

  The tax-free allowance under the Voluntary Retirement Scheme will be limited to Rs 2m.

Thailand

Personal tax changes

During 2004 the Thai Cabinet announced a number of proposed changes to the personal tax system. Legislation has now been enacted to put the following measures into effect:

- Personal income tax threshold. The tax-free threshold for personal income tax payers has been increased from Baht 80,000 to Baht 100,000. The change is effective from the 2004 tax year onwards.
- The revised personal income tax rate schedule as follows:

Personal Tax Rates

	Tax Rate (%)	
Level of Income	Old	New
1- 80,000	0	0
80,001-100,000	5	0
100,001-500,000	10	10
500,001-1,000,000	20	20
1,000,001-4,000,000	30	30
4,000,001 and above	37	37

Employers can now revise the personal income tax withholding deductions in respect of employees, in line with the new tax rate schedule.

Care for parents. The personal tax allowance for taxpayers taking care of their parents will be increased to Baht 30,000 per annum. The allowance applies for each parent the taxpayer supports. The change is effective from the 2004 tax year onwards.

UK

The Chancellor of the Exchequer announced the following proposals in his Budget Statement on 16 March 2005. The changes take effect on 6 April 2006.

Personal tax allowances

The personal tax allowances have been increased for 2005/06, as outlined below.

	2004/05	2005/06
Personal allowance	4,745	4,895
Age-related personal allowance		
• persons aged 65 – 74	6,830	7,090
• persons aged 75 and over	6,950	7,220
Married couple's allowance		
• either spouse born before 6.4.1935	5,725*	5,905*
• either spouse aged 75 or over	5,795*	5,975*
Blind person's allowance	1,560	1,610
Income limit for age-related allowances	18,900	19,500

* Relief restricted to 10%.

Income tax rates

The bands of income to which the tax rates apply have been changed as set out below.

	2004/05	2005/06
Rate of tax	Taxable income (£)	Taxable income (£)
Lower (10%)	2,020	2,090
Basic (22%)	2,021 – 31,400	2,091 – 32,400
Higher (40%)	Over 31,400	Over 32,400

Capital gains of non-residents

Individuals who are temporarily non-resident in the UK (for a period of less than five complete UK tax years) will no longer be able to avoid UK tax on capital gains through the use of a double tax treaty which gives the sole taxing rights over capital gains to the country of residence.

Social security contributions

The threshold for National Insurance Contributions (NICs) on earnings was increased to £94 per week from 6 April 2005. The weekly upper earnings limit was increased to £630, but the employee's NICs rate was frozen at 11 per cent for earnings between the threshold and the upper earnings limit. Employees will continue to pay a 1 per cent NICs charge for 2005/06 on earnings in excess of the upper earnings limit (with no maximum). Employers will pay NICs at the rate of 12.8 per cent for 2005/06 on all cash and non-cash earnings above the NICs threshold of £94 per week.

These changes are now in the 2005 Finance Act. Following the General Election in May, further changes may be introduced by a second UK Finance Act.

USA

Charitable deductions

The Internal Revenue Service alerted taxpayers who itemise their deductions that they may claim on their 2004 tax returns charitable donations made during January 2005 for relief of the victims of the Indian Ocean Tsunami.

The new law enacted on January 7 allows cash contributions to be deducted as if they were made on December 31 2004. The contributions must be made specifically for the relief of victims in areas affected by the tsunami in the Indian Ocean on 26 December 2004. The new law gives taxpayers the option of deducting the contributions on either their 2004 or 2005 returns, but not both.

The IRS advises taxpayers to be sure their contributions go to qualified charities. Taxpayers who have a specific charity in mind can make sure

that it is a qualified charity by doing a search on the IRS website at: http://apps.irs.gov/app/pub78. Some organisations, such as churches or governments, may be qualified even though they are not listed on the IRS site. Donors can find out more about US organisations helping the victims of the tsunami from agencies such as USAID and USA Freedom Corp.

Pension & retirement benefits in the USA and Switzerland

The United States and Switzerland have reached a mutual agreement to avoid double taxation of certain pension benefits and other retirement arrangements, according to an IRS news release. The new agreement, part of a new U.S/Swiss income tax treaty, describes the type of benefits covered, the procedures for claiming treaty benefits in each country, and the methods each country uses to grant treaty benefits.

Zambia

The Budget for 2005 and the implementing Bill was presented to the National Assembly by the Minister of Finance and National Planning on 28 January 2005. The Budget changes, which apply from 1 April 2005, are:

- The maximum personal income tax rate is now 37.5 per cent.
- The tax-exempt portion of terminal benefits is increased from ZMK 5m to ZMK 10m. Terminal benefits include compensation for loss of office or employment including redundancy or early retirement, accrued service bonuses, repatriation and severance pay paid as part of a package, but excludes salary, leave pay and salary in lieu of notice of resignation or dismissal.
- The tax credit for disabled persons is increased from ZMK 18,000 to ZMK 36,000.

Zimbabwe

In the Finance (No. 2) Bill 2004, changes are proposed to the income bands at which rates of income tax are calculated. The main alteration is to the minimum and maximum levels of income that will attract income tax. At present the minimum is ZWD 2.4m a year, and the proposal is to increase that amount to ZWD 12m. The maximum amount will change from ZWD 4.5m to ZWB 108m.

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