

L.N. 150 of 1995

INCOME TAX MANAGEMENT ACT, 1994
(ACT NO. XVIII OF 1994)

INCOME TAX ACT
(CAP. 123)

Cottage Industry Rules, 1995

IN exercise of the powers conferred by section 48A and 96 of the Income Tax Act and by section 57 of the Income Tax Management Act, 1994, the Minister of Finance has made the following rules:—

1. (1) These rules may be cited as the Cottage Industry Rules, 1995. Title and commencement.

(2) The provisions of these rules shall come into force upon their publication in the Gazette in respect of the year of assessment commencing on the 1st January, 1996 and of subsequent years of assessment.

2. Where a VAT registered person engages outworkers on a part-time basis in activities mentioned in section 48A of the Income Tax Act, he shall pay tax to the Commissioner at the rate of 15 cents in the lira on the grossed-up annual remuneration paid by every outworker for any tax which may be due by such outworkers in respect of such activities, worked out in accordance with the following formula: Payment of tax by VAT registered person.

$$\frac{\text{Net-annual payment}}{0.85} \quad \times \quad \frac{15}{100}.$$

3. The tax due under rule 2 hereof shall be paid to the Commissioner by not later than the 15th January of each year of assessment, and shall be regulated by the relevant provisions of Part VII of the Income Tax Management Act, 1994. When payment is due.

4. The VAT registered person shall furnish the Commissioner with a list containing details of all outworkers falling under this rule and including the remuneration paid to each outworker. This list is to accompany the remittance made in accordance with rule 3 hereof. List of outworkers.

5. Where the Commissioner is satisfied that the requirements of rules 3 and 4 hereof have been complied with, the VAT registered person shall be entitled, in computing his profits for income tax purposes, to deduct: Deduction entitlement.

- (a) the net amount paid as remuneration to the outworkers falling within the provisions of these rules;
- (b) the tax remitted to the Commissioner in terms of rule 3 hereof in respect of the relevant year of assessment; and
- (c) an additional amount equivalent to thirty per cent of the total sum resulting from paragraphs (a) and (b) of this rule.