

MEMO FOR CABINET
BY THE HON. MINISTER OF LABOUR AND SOCIAL WELFARE

Exemption of the Port Work Scheme from Income
Tax and Stamp Duty

L-Arkivji Nazzjonali ta' Malta

The cost of running the Port work Scheme, a para-Government organisation working on a non-profit making basis, is met out of funds derived from a 3 1/3% levy on gross wages to port workers. The excess of the receipts over expenditure of the Scheme remaining to the credit thereof at the end of each year is carried forward from year to year with the object of building a reserve fund to meet any eventual decrease in income and continually increasing costs. Part of such excess cash held by the Scheme is invested in current and deposit accounts and in Defence Bonds and from its inception in 1957 up to 1963 the Scheme derived interest on such investments to the amount of £715. 12s. 3d.

As the Scheme is not a pecuniary risk, a venture, a speculation or a commercial enterprise, it cannot be considered to be carrying on a trade or business for income tax purposes and under the circumstances the balances remaining in hand at the end of every financial year of the Scheme, representing the excess of amounts levied on port workers over and above actual expenses of administration of the Scheme, are not subject to income tax. The Scheme is, however, chargeable to tax on the interest which it derives from the money invested and the Commissioner of Inland Revenue is claiming payment of £333. 6s. Od., the amount due for the years 1957-1963.

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The payment of such sum would cause an appreciable drain on the reserves of the Scheme which, in addition to meeting expenses of administration including cost of furniture and equipment which require maintenance and replacement, meets the relatively heavy contribution towards a pension scheme for its employees. Application was therefore made for 'ex gratia' exemption in terms of Sec 8 (2) of the Income Tax Act but this was not granted for the reason that the case concerned a body of persons and the plea of individual hardship could not therefore be raised. Moreover, the need of collecting revenue did not permit an encroachment on recurrent resources.

It should be appreciated that the loss of revenue entailed in the grant of exemption represents only a small fraction of the total amount collected by way of income tax and that the benefit that would accrue to the Scheme from total exemption would bear no relation to such loss of revenue. It should also be considered that despite the fact that the port workers are not employees of the Scheme, the management of the latter furnishes the Commissioner of Inland Revenue with details of earnings of these workers, numbering about 800, to enable him to assess income tax due by them. The collection of these data costs the management over £300 a year and if the Commissioner of Inland Revenue were to collect same from the individual employers of the workers, the expense involved would more than offset the tax which the Scheme is required to pay.

Considering the good work being performed by the Scheme and the purpose for which the moneys being saved are devoted, the Cabinet is asked to authorize that interest on investments by the Scheme be exempted from income tax.