

## Public Ruling No. 1/2000

### BASIS PERIOD FOR A NON-BUSINESS SOURCE

#### 1.0 TAX LAW

This Ruling applies in respect of sections 20 and 21 of the **Income Tax Act, 1967**. It is effective from the year of assessment 2000 for the basis period ending in the year 2000 and subsequent years of assessment.

#### 2.0 THE APPLICATION OF THIS RULING

This Ruling considers the basis period for a non-business source.

#### 3.0 HOW THE TAX LAW APPLIES

3.1 Income tax is chargeable for a year of assessment.

3.2 The basis year for a year of assessment for a non-business source is the basis period for that year of assessment.

*Example:*

The basis year for the year of assessment 2001 is calendar year 2001.

*Dividend source for the year ending 31.12.2001 is taxed in the year of assessment 2001.*

3.3 As a concession to a company or a co-operative which has both business and non-business sources, it may choose that the basis period for its non-business source follows that of its business source.

*Example:*

A company closes its accounts on 30 June each year. It has income from business and interest sources.

*The basis period for the year of assessment 2001 for the business source is accounting year 01.07.2000 to 30.06.2001.*

*The basis period for the year of assessment 2001 for the interest source which is a non-business source is year ending 31.12.2001.*

*However, the company may choose the basis period of the business source, i.e. 01.07.2000 to 30.06.2001, as the basis period for its interest source. If the company chooses year ending 30 June as the basis period for its interest source, it has to do so consistently thereafter.*

#### 4.0 INTERPRETATION

For the purpose of this Ruling:

- 4.1 "Basis year for a year of assessment" means the calendar year coinciding with the year of assessment.
- 4.2 "Non-business source" includes employment, pension, dividend, interest, rent and royalties which are not considered as part of a business source.
- 4.3 "Year of assessment" means calendar year.

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