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## Newsletter



# Expert Legal Assistance

**Law 9/19 of April 24<sup>th</sup>**

**Changes to Personal Income Tax Code**

**An Expert Legal Assistance Publication**



## **Changes to Personal Income Tax Code**

On April 24<sup>th</sup>, 2019 was published and entered into force immediately Law n.º 9/19 which brought some amendments to Law n.º 18/14 of October 20 – Personal Income Tax Code "PIT Code".

Among its innovations, it published the new minimum profit tax table, revoking the minimum profit tax table approved by Executive Decree n.º 15/09 of March 3<sup>rd</sup>.

In addition to the aforementioned changes, the great novelty is about the regulation on propriety tax when a company's partner sells to the company personal real estate to be used in the company's business.

Article 2 of Law n.º 9/19 of April 24<sup>th</sup> provides a great deal of innovation in terms of tax neutrality in connection to transfer of personal real estate to an existing company or to a company to be incorporated provided it will be use in company's business. The transmission is exempt from Stamp Duty and Property Transfer Tax (SISA). However, it's necessary the company receiving the asset be, at least, 90% owned by the transferor and that the remainder of the share capital be held by the spouse or relative of the first degree. Nevertheless, the exemption referred to herein is subject to prior authorization of the Board of Directors of the General Tax Authority.

Law n.º 9/19 of April 24<sup>th</sup> amended several legal provisions of the PIT Code, namely Articles 1, 2, 3, 6, 8, 10 and 11 and 16, as well the listing referred to in article 3 (3), let's have a look on the announced changes.

Article 1 of the PIT Code adds taxation to earnings distribution in civil companies with or without commercial form. Dividends of commercial companies still are subject to Capital Gains Tax according to Presidential Legislative Decree n.º 2/14 of October 20<sup>th</sup>.

Regarding amendments to Article 2 of the IRT Code, paragraph 1 (b) is amended, consequently, the end-of-service bonuses is no longer exempted from PIT, therefore it will be taxed according to the table referred to in article 16º of the PIT Code.

On the other hand, according to paragraph 1 (k) (n) transport and food allowances granted to workers are exempted up to the monthly maximum of Kz 30,000.00 each.

Article 3 of the PIT Code was also subject to changes. Income earned by corporate managers, administrators, CEOs or similar positions holders, distributed to members of civil companies, with or without commercial form, are now integrated in taxpayers Group A along with employees and civil servants.

Persons included in taxpayers Group B will be the independent contractors whose professions are listed in the table attached to Law n.º 9/19 of April 24<sup>th</sup>.

The changes introduced by Law n.º 9/19 of April 24 reformed Article 6 of the PIT Code that maintains tax exemption on income earned by military personal subject to General Law of Military Service and integrated in the National Security System, but such exemption will only apply to values paid under such specific conditions.

Article 8 of the PIT Code has also undergone some changes, taxpayers in Group B who do not have organized accounting will benefit assumed expenses in the amount of 30% of their gross income. For those Group B taxpayers who have organized accounting are no longer subject to this expenditure cap, but are subject, with the appropriate adaptations, to the rules applicable to Group A taxpayers.

Regarding the determination of taxable income of Group C taxpayers the changes introduced by Law n.º 9/19 of April 24<sup>th</sup>, namely in Article 9 of the PIT Code, regulates that taxation of taxpayer without organized accounting will be according to the Table of Minimum Profits attached to Law n.º 9/19 of April 24<sup>th</sup>. Taxpayers integrated in Group C with organized accounting are subject, with the appropriate adaptations, to Group A of the Company's Tax rules. In any of the above-mentioned situations the entity paying the income must proceed with the deduction withholding tax.

Law n.º 9/19 of April 24<sup>th</sup> also changed article 10 of the PIT Code, regulating that is revoked the WHT obligation of the entities paying salary to corporate managers, administrators, CEOs or similar positions holders in any companies.

### **Table referred to in paragraph 3 of Article 3 of Law n.º 9/19 of April 24<sup>th</sup>**

#### **01. Architects, engineers and similar technicians:**

1. Architects;
2. Civilian builders graduated or not;
3. Engineers;
4. Technical engineers;



5. Surveyors;
6. Designers;
7. Geologists;
8. Electricians;
9. Plumber;
10. Locksmiths;
11. Other engineering technicians.

**02. Plastic and similar artists, actors, musicians, journalists and reporters:**

1. Painters;
2. Sculptors;
3. Decorators;
4. Other plastic artists;
5. Artists of theaters, ballet, cinema, radio and television;
6. Circus artist;
7. Musicians;
8. Journalist and reporters;
9. Photographers.

**03. Economists, accountants, actuaries and similar technicians:**

1. Economists, consultants and auditors;
2. Accountants, certified accountants and assistant accountant;
3. Actuaries.

**04. Nurses, midwives and other paramedical technicians:**

1. Nurses;
2. Nutritionists;
3. Midwives;
4. Other paramedical technicians.



**05. Jurists:**

1. Jurisconsult;
2. Lawyers;
3. Solicitors.

**06. Doctors and dentists:**

1. Medical analysts;
2. General practitioners;
3. Medical surgeons;
4. Medical stemmatologists;
5. Physiatrists;
6. Medical gastroenterologists;
7. Medical ophthalmologists;
8. Otorhinolaryngologic;
9. Medical radiologists;
10. Shipboard physicians;
11. Dentists;
12. Doctors of other specialties.

**07. Psychologists, psychoanalysts and sociologists:**

1. Psychologists;
2. Psychoanalysts;
3. Sociologists.

**08. Chemicals:**

1. Analysts.

**09. Veterinarians, agronomists and specialists with related professions:**

1. Veterinary doctors;
2. Agricultural and forestry engineers;
3. Medium and auxiliary technicians.



**10. Other persons practicing liberal, technical and similar professions:**

1. System analysts and computer programmers;
2. Editors of their own creations;
3. Expert evaluators;
4. Astrologers and parapsychologists;
5. Sportsmen;
6. Administrators of goods or solicitors;
7. Official Dispatchers;
8. Port pilots, bars or rivers;
9. Translators or interpreter guides;
10. Teachers, instructors and masters of any art or craft;
11. Hairdressers;
12. Massage therapists
13. Disc Jokey or (DJ)

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