

PRESS RELEASE

SPSE WELCOMES TAX FREE DIVIDENDS ACROSS THE BOARD

The South Pacific Stock Exchange (SPSE) welcomes the Government's 2010 Revised Budget announcement that distribution of dividends to shareholders will be treated as deemed tax paid dividends. From our discussions with FIRCA, we understand that the deemed tax paid effectively means that the concession of 20% corporate tax rate that is to be enjoyed by the listed companies will be passed on to the non-resident shareholders.

This comes in addition to various other incentives that the Government has made available to encourage more companies to list on the SPSE including the reduced corporate tax rate of 20% for companies with more than 40% local equity shareholding, as announced in the original 2010 National Budget.

“According to Section 17 (55) of the Income Tax Act, any dividend paid to a resident individual in respect of shares of a company listed on SPSE has not been subject to tax. However, for non-resident shareholders, dividends received from unpaid taxed or partially taxed profits were subject to withholding tax before.”

With this announcement, the Government has somewhat levelled the playing field for resident and non-resident shareholders by making all dividends paid out of profits of a listed company which were subject to a lower corporate tax rate of 20% to be deemed tax paid in the hands of the shareholder regardless of the residency status. Furthermore, FIRCA has since clarified that this exemption will only apply to listed companies that qualify for the concessionary 20% corporate tax rate.

Commenting on the announcement, SPSE Chief Executive Officer, Ms Jinita Prasad said “Returns from our stock market will now be more attractive to offshore investors. The timing of this announcement is excellent as we launched our electronic trading platform last week which forms the foundation on which we aim to expand regionally in order to attract more foreign companies and foreign investors to our market.”

For existing listed companies, this is excellent news for their non-resident shareholders. This incentive will also encourage more companies to list on the SPSE as they seek ways of maximising returns to shareholders through tax exempt dividends.

Ms Prasad also thanked Government for its support of the capital markets. “The Government has continued to support the development of the stock market and we hope that this incentive will not only encourage more companies to list but also attract more foreign investors to invest in our listed securities” she said.

Should you require any further information on this issue, please do not hesitate to contact us.

Jinita Prasad
Chief Executive
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