



Interpretations, Rulings & Opinions Committee Paper  
I.R.O.C Paper (Issued 2003, Jan.)

**Re: Gratuity Provisions (Income Tax)**

This ruling is made under the authority of IROC.

**LEGISLATIVE REFERENCE:**

Income Tax Act 1991, unless otherwise stated.

This ruling applies in respect of Section 5(1)(c)(iv)(A).

**ISSUE:**

Recently, much concern has been expressed regarding the taxability of Lump Sum payments termed as Gratuity, whether -

(a) Lump Sum payments made by Government Entities/Statutory Bodies out of their annual budget, represent a payment out of the Consolidated Fund,

**or**

(b) Lump Sum payments made by Government Entities/Statutory Bodies out of their annual budget do not qualify as a payment out of Consolidated Fund.

**RULING:**

In light of the above, an opinion was sought from the Attorney General, who advised as follows: -

1. If the lump sum payments are made by a Government Entity or Statutory Body, which receives its source of income solely from the Consolidated Fund, then these payment would not be subject to taxation in accordance with Section 5(1)(c)(iv)(A) of the Income Tax Act.
2. If the lump sum payments are payable out of a public fund or account designated thus by a Minister, and this source represents the sole source of funding of the entity or body under consideration, then such payments would not be subject to taxation.
3. If a Government Entity or Statutory Body whose source of funding is not limited to that from the Consolidated Fund made a lump sum payment, then this payment would be subject to income tax.