

be regarded as an eligible person and may (in lieu of the service company) claim an ETC by reference to statutory deductions accounted for by the service company in the same proportion as their entitlement to their share of profits of the trade, profession or vocation.

Calculations



Example 1:

Taxpayer A paid Statutory Payroll Taxes (SPT) amounting to \$1.5M. Income tax payable for the year is \$3.2M.

Solution:

The maximum of ETC claimable against the \$3.2M is \$960,000 ($\$3.2M \times 30\%$) since the SPT is greater than \$960,000. Therefore total tax payable for the year is \$2.24M ($\$3.2M$ less \$960,000).

Example 2:

Taxpayer B paid SPT of \$1.5M. Income tax payable for the period is \$10.2M.

Solution:

The maximum of ETC claimable against the \$10.2M is \$3.06M ($\$10.2M \times 30\%$). As the SPT is less than \$3.06M, **Taxpayer B** would be allowed to claim the full \$1.5M as a tax credit against the \$10.2M. Therefore total tax payable for the year is \$8.7M.

Example 3:

Taxpayer C paid SPT amounting to \$1.5M. Income tax payable for the year is \$500,000.

Solution:

The maximum of ETC claimable against the \$500,000 is \$150,000 ($\$500,000 \times 30\%$). As the SPT is greater than \$150,000, **Taxpayer C** would be allowed to claim the full \$150,000 as a tax credit. Total tax payable for the year is \$350,000.



Example 4:

Taxpayer D made a loss. He paid SPT of \$1.5M

Solution:

Since **Taxpayer D** made a tax loss, he will not be able to claim the ETC

The unused amount cannot be carried forward to the next year.

Employment



FOR MORE INFORMATION PLEASE CALL

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A PUBLICATION OF
TAX ADMINISTRATION JAMAICA

JANUARY 2014

Purpose

This brochure provides information on the **Employment Tax Credit** for the benefit of employers who are engaged in a trade profession or vocation.

Legislation

The Fiscal Incentives (Miscellaneous Provisions) Act gave rise to amendments to the Income Tax Act by insertion of section 32A which introduces the Employment Tax Credit (ETC).

This legislation become effective on January 1, 2014

What is the Employment Tax Credit?

The Employment Tax Credit (ETC) is an income tax credit which is allowed to an eligible person.

Eligible Person

An eligible person is an employer who is engaged in a trade, profession or vocation or the rental of approved hotel accommodation.

An eligible person does not include:

- a regulated company
- a person operating under the Bauxite and Alumina Industries
- a person operating as a group head office company
- a person operating under the Jamaica Export Free Zones Act

A regulated company is one which is supervised by:

1. the Financial Services Commission
2. the Bank of Jamaica
3. the Office of Utilities Regulation
4. the Ministry of Finance and Planning

Benefits

The ETC regime is designed to benefit tax-compliant employers. Employers who comply with their obligations will preserve and maintain their employees' benefits under important national programs such as National Housing Trust (NHT) and National Insurance Scheme (NIS) while reducing the effective rate of income tax borne on their active trading activities.

The ETC seeks to:

- reduce labour cost;
- increase after-tax profit;
- lower the effective rate of Income Tax;

What types of payroll statutory contributions are eligible for credit?

- Education Tax
- National Housing Trust (NHT) contributions
- National Insurance Scheme (NIS) contributions;

- Human Employment And Resource Training (HEART) Contributions

The statutory contributions include both employee's and employer's contribution.

How is the ETC computed?



The ETC is computed by an employer in three steps:

1. Identify the total payroll statutory contributions made that are eligible for credits
2. Compute how much of the tax payable (i.e. income tax) is attributable to the trade, profession or vocation.
3. The ETC claimable shall be the amount computed at 1 above or 30% of the Tax payable whichever is lower.

If the employer makes a tax loss, an ETC would not be applicable.

Excess Statutory Payroll Taxes (SPT) is not permitted to be carried forward to another tax year.

Any statutory deductions paid after the respective due date or in respect of a month for which the Form S01 is filed late will not be eligible to be taken into account in computing the ETC.

Eligibility

In order to be eligible for ETC credits, the employer must:

- file the S01 on time
- pay over his relevant statutory deductions and contributions on time.

Self-employed Persons

The self-employed (employer) must file and pay over his personal statutory obligations on time in addition to filing the S01 return for the employees and make the payments on time.

Where a self-employed individual:

- employs staff members through a service company established solely for that purpose (and which is wholly owned by such individual or partners), then the individual (or partners) may, with the approval of the Commissioner General,