



Tax Administration Jamaica
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SELF-EMPLOYED INDIVIDUALS - PENSIONERS -

TAXES & CONTRIBUTIONS

FOR MORE INFORMATION:

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HOW TO CALCULATE A SELF-EMPLOYED PERSON'S INCOME TAX LIABILITY FOR 2017

	RATES	BASIS OF CALCULATION
*NIS	5%	Net Profit
NHT	3%	Net Profit
ED TAX	2.25%	** Statutory
INCOME TAX	0%, 25% & 30%	Taxable Income

Revised June 2016

*NIS Ceiling for Self-Employed: 5% of \$1,500,000 = \$75,000 per annum

**Statutory Income = Total Income Less Allowable Deductions.

Allowable Deductions are NIS Contribution, Approved Retirement Scheme Contributions, Capital Allowances, Losses and Approved Donations.

*** 30% is applied to Statutory Income earned (for the period July to December 2016 and for the Year of Assessment 2017 onwards) in excess of \$6,000,000.

A 65 year old pensioner started business in 2017 and earned \$2.5 million in gross receipts from operations and \$96,000 as NIS Pension Income. For 2017 he will receive the Pension's Relief of \$80,000 and Age Relief of \$80,000 totaling \$160,000. He purchased a computer at the start of business for \$60,000. Below is an illustration of the calculation of the statutory and taxable income to arrive at tax payable. In addition he receives net rental of \$150,000. Below is a calculation of his statutory and taxable income to arrive at tax payable.

	\$	\$
Gross Receipts		2,500,000
Less: Cost of Sales/Operations		<u>(700,000)</u>
GROSS PROFIT (2,500,000 - 700,000)		1,800,000
*Less: Business/Administrative Expenses		<u>(500,000)</u>
NET PROFIT (1,800,000 - 500,000)		1,300,000
Add: NIS Pension Income	96,000	
Net Rental Income	<u>250,000</u>	
		346,000
TOTAL INCOME (1,300,000 + 346,000)		1,646,000
LESS: Allowable Deductions		
Capital Allowance (computer) \$27,000	27,000	
Exemptions (Pension and Age Reliefs)	<u>160,000</u>	
		<u>(187,000)</u>
STATUTORY INCOME (1,646,000 - 187,000)		1,459,000
Less: Income Tax Threshold		(1,375,140)
TAXABLE INCOME (859,000 - 796,536)		83,860
TAX PAYABLE (62,464 x 25%)		<u>20,965</u>

Cost of Operations = Opening Stock + Purchases - Closing Stock.
\$400,000.00 = \$750,000 + \$250,000 - (\$600,000)

*Administrative Expenses consists of all operational costs of \$300,000 such as rent - \$200,000, wages - \$100,000 (complete on form **S04 - Schedule 1**) & does not include depreciation or capital costs

Capital Allowance on computer (complete on form **Schedule 2 - Capital Allowance Schedule**)

- **Initial Allowance** - \$60,000 x 25% = \$15,000
 - **Annual Allowance** - \$60,000 x 20% = \$12,000
 \$27,000

Threshold means the portion of Income taxed at a rate of 0% and the amount is used in the computation of Income Tax.