

CONTRIBUTION

	Marie	Steve
NIS		
Restricted 5% of \$1,500,000	\$75,000	\$75,000.0
NHT		
3% of \$3,525,000	\$105,750	
3% of \$6,725,000		\$201,750
Education Tax		
2.25 x \$3,525,000	\$79,312.5	
(2.25 x \$6,725,000)		\$151,312.50
	\$274,312.5	\$454,312.50

FOR MORE INFORMATION:

Call 888 - TAX - HELP (829- 4357) or 888 - GO-JA-TAX (465-2829)

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Tax Administration Jamaica
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SELF-EMPLOYED INDIVIDUALS

TAXES & CONTRIBUTIONS



HOW TO CALCULATE A SELF-EMPLOYED PERSON'S INCOME TAX LIABILITY FOR 2016

Marie & Steve are self-employed Graphic Artists with gross receipts for 2016 of \$16,400,000 and \$26,000,000 respectively earned evenly throughout the year. The tax liability for 2016 is calculated as follows:

	Marie	Steve
	2016	2016
NON PENSIONER	\$	\$
Gross Receipts	16,400,000	26,000,000
Less: Cost of Sales	<u>6,000,000</u>	14,000,000
GROSS PROFIT (\$16,400,000 - \$6,000,000) (\$26,000,000 - \$14,000,000)	10,400,000	12,000,000
*Less: Business/Administrative Expenses	<u>(6,400,000)</u>	<u>4,400,000</u>
NET PROFIT (\$10,400,000 - \$6,400,000) (\$12,000,000 - \$4,400,000)	4,000,000	7,600,000
LESS: Allowable Deductions		
Capital Allowance (computers)	(400,000)	(800,000)
NIS Contribution paid (5% of \$1,500,000)	<u>(75,000)</u>	(75,000)
	<u>(475,000)</u>	<u>875,000</u>
STATUTORY INCOME (\$4000,000 – \$475,000) (\$8,000,000 - \$875,000)	\$3,525,000	6,725,000
Less: Income Tax Threshold	796,536	796,536
TAXABLE INCOME (\$3,525,000 - \$796,536) (\$7,125,000 – \$796,536)	2,728,464	5,955,464
TAX PAYABLE (\$2,728,464@25%) (\$5,955,464 @25%)	682,116	1,488,866

The information in the scenario above is used to show the calculation for the Year of Assessment 2017.

2017	Period January to December			
	\$	\$		\$
Income		33,000,000		
Purchases	9,000,000			
Wages & Salaries	5,000,000			
General Expenses	3,500,000	17,500,000		
		15,500,000		
Interest Income		1,000,000		
		16,500,000		
Losses b/f	2,000,000			
Capital Allowances	1,000,000			
NIS Contribution Paid	75,000			
Age Allowance	80,000	3,155,000		
Statutory Income		13,345,000		
Less Nil Rate		1,375,140	at "0"	
		4,624,860	*25%	1,156,215
		7,345,000	*30%	2,203,500
Tax Liability				3,359,715
ETC				240,000
MBT				60,000
TOTAL Tax Liability Due				3,059,715

	RATES	BASIS OF CALCULATION
*NIS	5%	Net Profit
NHT	3%	Net Profit
ED TAX	2.25%	** Statutory
INCOME TAX	0% 25% & *** 30%	Tax on Statutory 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 include: NIS Contribution paid, Approved Retirement Scheme Contributions, Capital Allowances, Losses and Approved Donations.

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

Mr. John, a 65 year old business man declared income and expenses for Year of Assessment 2016 as follows :

* Gross Income \$33,000,000

* Wages and Salaries \$5,000,000

* Losses brought forward \$2,000,000

* Capital Allowance \$1,000,000

* Purchases \$9,000,000

* General Expenses \$3,500,000

In addition, he had interest income of \$1,000,000 . John is required to claim the expenses in the period in which they were incurred and account for his income earned for the periods January to June and July to December as follows. **NB. Mr John will no longer pay NIS at age 70 years. Being self-employed, he will pay Education Tax until he ceases business.**

2016	Period January to June			
	\$	\$		\$
Income		15,000,000		
Purchases	4,000,000			
Wages & Salaries	2,000,000			
General Expenses	1,500,000	7,500,000		
		7,500,000		
Interest Income		500,000		
		8,000,000		
Losses b/f	1,000,000			
Capital Allowances	500,000			
NIS Contribution Paid	37,500			
Age Exemption	40,000	1,577,500		
Statutory Income		6,422,500		
Less Nil Rate		296,400	at "0"	
		6,126,100	*25%	1,531,525
Tax Liability				1,531,525
TOTAL Tax Liability				
ETC				
MBT				
TOTAL Tax Liability Due				

2016	Period July to December			
	\$	\$		\$
Income		18,000,000		
Purchased	5,000,000			
Wages & Salaries	3,000,000			
General Expenses	2,000,000	10,000,000		
		8,000,000		
Interest Income		500,000		
		8,500,000		
Losses b/f	1,000,000			
Capital Allowances	500,000			
NIS Contribution Paid	37,500			
Age Exemption	40,000	1,577,500		
Statutory Income		6,922,500		
Less Nil Rate		500,136	at "0"	
		5,499,864	at *25%	1,374,966
		922,500	at *30%	276,750
Tax Liability				1,651,716
				3,183,241
				240,000
				60,000
				2,883,241