

## CONTRIBUTION

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



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# Self-Employed Individuals

## Taxes & Contributions



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**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. The tax liability for 2016 is calculated as follows:

	<b>Marie</b>	<b>Steve</b>
	<b>2016</b>	<b>2016</b>
<b>NON PENSIONER</b>	<b>\$</b>	<b>\$</b>
Gross Receipts	16,400,000	26,000,000
<b>Less:</b> Cost of Sales	<u>6,000,000</u>	14,000,000
<b>GROSS PROFIT</b> (\$16,400,000 - \$6,00,000) (\$26,000,000 - \$14,000,000)	10,400,000	12,000,000
<b>*Less:</b> Business/Administrative Expenses	<u>( 6,400,000)</u>	<u>4,400,000</u>
<b>NET PROFIT</b> (\$10,400,000 - \$6,400,000) (\$12,000,000 - \$4,400,000)	<b>4,000,000</b>	<b>7,600,000</b>
<b>LESS: Allowable Deductions</b>		
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>
<b>STATUTORY INCOME</b> (\$4000,000 – \$475,000) (\$8,000,000 - \$875,000)	<b>\$3,525,000</b>	<b>6,725,000</b>
<b>Less:</b> Income Tax Threshold	<b>796,536</b>	<b>796,536</b>
<b>TAXABLE INCOME</b> (\$3,525,000 - \$796,536) (\$7,125,000 – \$796,536)	2,728,464	5,955,464
<b>TAX PAYABLE</b> (\$2,728,464@25%) (\$5,955,464 @25%)	<b>682,116</b>	<b>1,488,866</b>

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		<b>13,345,000</b>		
Less Nil Rate		<b>1,375,140</b>	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
<b>TOTAL Tax Liability Due</b>				<b>3,059,715</b>

	RATES	BASIS OF CALCULATION
<b>*NIS</b>	<b>5%</b>	<b>Net Profit</b>
<b>NHT</b>	<b>3%</b>	<b>Net Profit</b>
<b>ED TAX</b>	<b>2.25%</b>	<b>** Statutory</b>
<b>INCOME TAX</b>	<b>0%</b> <b>25% &amp;</b> <b>***</b> <b>30%</b>	<b>Tax on Statutory Income</b>

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		<b>6,422,500</b>		
Less Nil Rate		<b>296,400</b>	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		<b>6,922,500</b>		
Less Nil Rate		<b>500,136</b>	at "0"	
		5,499,864	at *25%	1,374,966
		922,500	at *30%	276,750
Tax Liability				1,651,716
				<b>3,183,241</b>
				240,000
				60,000
				<b>2,883,241</b>