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# Employer/Employee

## Taxes & Contributions



**FOR MORE INFORMATION:** Call 1- 888 - TAX - HELP (829- 4357) or 1- 888 - GO-JA-TAX (465-2829)/  
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## Rates

	Employee	Employer	Basis of Calculation
<b>NIS*</b>	<b>2.5%</b>	<b>2.5%</b>	Gross Emoluments
<b>NHT</b>	<b>2%</b>	<b>3%</b>	Gross Emoluments
<b>ED TAX</b>	<b>2.25%</b>	<b>3.5%</b>	**Statutory Income
<b>PAYE/ INCOME TAX</b>	<b>25% &amp; ***30%</b>	<b>N/A</b>	Statutory Income Less Income Tax Threshold
<b>HEART</b>	<b>N/A</b>	<b>3%</b>	Gross Taxable Payroll if the Employer's payroll costs exceeds \$173,328 per annum

2016

\* **NIS Ceiling:** 2.5% of \$1,500,000.00 = \$37,500

\*\***Statutory Income = Gross Income** Less Allowable Deductions such as contributions for NIS, Approved Pension and Employees Share Ownership Plan (ESOP).

\*\*\* **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 .

<b>Income Tax Payable (25% of \$666,964)</b>	\$166,741	\$166,741	Income Tax Payable (25% of \$88,360)	\$22,090	\$22,090	0 - NIL
<b>STATUTORY DEDUCTIONS</b>						
<b>NIS (25% of Gross Pay) restricted to \$1,500,000</b>	\$37,500	\$37,500	NIS(\$2.5% of Gross Pay) restricted to \$1,500,000	\$37,500	\$37,500	\$37,500
<b>Education Tax (2.25% of Statutory Income)</b>	\$32,928.75	\$32,928.75	Education Tax (2.25% of Statutory Income)	\$32,928.75	\$32,928.75	\$32,928.75
<b>NHT (2% of Gross Pay)</b>	\$31,600	\$31,600	NHT (2% of Gross Pay)	\$31,600	\$31,600	\$31,600
<b>Income Tax</b>	\$166,741	\$166,741	Income Tax	\$88,360	\$88,360	NIL
<b>Pension Contribution</b>	\$79,000	\$79,000	Pension Contribution	\$79,000	\$79,000	\$79,000
<b>TOTAL DEDUCTIONS</b>	\$347,769.75	\$347,769.75	<b>TOTAL DEDUCTIONS</b>	\$269,388.75	\$269,388.75	\$181,028.75
<b>Net Pay (Gross Pay less Total Deductions):</b>	\$1,232,230.25	\$1,232,230.25	<b>Net Pay (Gross Pay less Total Deductions):</b>	\$1,310,611.25	\$1,310,611.25	\$1,398,971.25

## HOW TO CALCULATE AN EMPLOYEE'S PAYROLL TAXES & CONTRIBUTIONS

An employee is earning \$1,580,000 per annum as gross pay. The company has an approved pension scheme for which the employee contributes 79,000 per annum. Below is an illustration of the calculation of the Income Tax Liability, Statutory Deductions and Net Pay for years of assessment 2016, 2017 and 2018.

	2016	2017	2018
Gross Pay	\$1,580,000	\$1,580,000	\$1,580,000
Less Pension Contribution	(\$79,000)	(\$79,000)	(\$79,000)
Less NIS (2.5% of \$1,500,000)	<u>(\$37,500)</u>	<u>(\$37,500)</u>	<u>\$37,500</u>
<b>Statutory Income</b> (\$8,000,000 - \$400,000 - \$37,500)	\$1,463,500	\$1,463,500	\$1,463,500
Less Income Tax Threshold January to June $\$592,800/12*6 = 296,400$ July to December $\$1,000,272/12*6 = \$500,136$ <b>(\$296,400 + \$500,136)</b>	\$796,536	\$1,375,140	\$1,500,096
<b>Taxable Income</b> \$7,562,500 - 796,536	\$666,964	\$88,360	0 - Nil

## Income Tax Threshold

Total Threshold for	Per Year	½ Year	Monthly	Weekly	Fort-nightly
<b>2016</b>	\$796,536	\$296,400	\$49,400	\$11,400	\$22,800
JANUARY TO JUNE (\$592,800/12*6)					
JULY TO DECEMBER (\$1,000,272/12*6)		\$500,136	\$83,356	\$19,236	\$38,472
<b>2017</b>	\$1,375,140	\$250,068	\$83,356	\$19,236	\$38,472
JANUARY TO MARCH (\$1,000,272/12*3)					
APRIL TO DECEMBER (\$1,500,096/12*9)		\$1,125,072	\$125,008	\$28,848	\$57,696
<b>2018</b>	\$1,500,096	\$750,000	\$125,008	\$28,848	\$57,696
JANUARY TO MARCH					

The Income Tax Threshold **is** the portion of an individual's emolument/ income that is taxed at "Zero". It is used in the computation of Income Tax **only**. If your income is below the threshold **NO** Income Tax should be deducted/ paid.

## HOW TO CALCULATE AN EMPLOYEE'S PAYROLL TAXES & CONTRIBUTIONS

An employee is earning \$8,000,000 per annum as gross pay. The company has an approved pension scheme to which the employee contributes \$400,000 per annum. Below is an illustration of the calculation of the **income tax liability**, **statutory deductions** and **net pay** for years of assessment 2016, 2017 and 2018.

	2016	2017	2018
Gross Pay	8,000,000.00	8,000,000.00	8,000,000.00
Less: Pension Contribution	-400,000.00	-400,000.00	-400,000.00
Less: NIS (2.5% of \$1,500,000)	-37,500.00	-37,500.00	-37,500.00
Statutory Income			
(\$8,000,000 - 400,000-37,500)	7,562,500.00	7,562,500.00	7,562,500.00
Less: Income Tax Threshold			
2016			
January to June \$592,800/12*6 = 296,400			
July to December \$1,000,272/12*6 = 500,136			
\$296,400 + 500,136 = 796,536	796,536.00		
2017			
January to March \$1,000,272/12*3 = 250,068			
April to December \$1,500,096/12*9 = 1,125,072			
\$250,068 + 1,125,072 = \$1,375,140		1,375,140.00	
2018			1,500,096.00
January to December - \$1,500,096			
Taxable Income			
7,562,500 - 796,536	6,765,964.00		
7,562,500 - 1,375,140		6,187,360.00	
Income Tax Payable			6,062,404.00
796,536 @ 0%			
6,765,964 @ 25%	1,691,491.00		
1,375,140 @ 0%			
4,624,860 @ 25% = 1,156,215			
1,562,500 @ 30% = 468,750		1,624,965.00	
1,500,096 @ 0%			
4,499,904 @ 25% = 1,124,976			
1,562,500 @ 30% = 468,750			1,593,726.00
Deductions			
Pension Contribution	400,000.00	400,000.00	400,000.00
NIS	37,500.00	37,500.00	37,500.00
Education Tax (2.25% of Statutory Income)	170,156.25	170,156.25	170,156.25
NHT (2% of Gross Pay)	160,000.00	160,000.00	160,000.00
Income Tax	1,691,491.00	1,624,965.00	1,593,726.00
Total Deductions	2,459,147.25	2,392,621.25	2,361,382.25
Net Pay (Gross Pay less Total Deductions)	5,540,852.75	5,607,378.75	5,638,617.75