

EDUCATION TAX



Education tax as the name suggests was implemented with the intention to advance education in Jamaica. The law was established in July 1983 by the Education Tax Act. However, the tax collected under this legislation goes directly into the consolidated fund which is a pool of funds used by the government for the public benefit.

Contributions are payable by:

- Employed persons over 18 years and under retirement age
- Self-employed persons earning at least minimum wage, and
- Employers

The retirement age for individuals required to pay Education Tax is 65 years.

Employed persons include domestic workers, however their Education Tax rate is different from that of other employed persons.

For employed persons a portion is paid by the employee and a portion is paid by the employer. Employers are required to deduct Education Tax from emoluments paid to employees.

EXEMPTIONS

The following employers are exempt from paying the employer's portion of the Education Tax:

- A Ministry or Department of Government
- Parish Councils
- Kingston and St Andrew Corporation
- The University of the West Indies

Additionally the following entities located in Jamaica are not to liable pay education tax in respect of Jamaican citizens employed to them:

- A foreign embassy
- High Commission
- Consulate or agency of the United Nations, or
- International organization entitled to diplomatic privileges under the Diplomatic Immunities & Privileges Act

MORE THAN ONE EMPLOYMENT

Where a taxpayer has more than one employer and the combined emoluments for the week exceeds the minimum wage, that taxpayer is deemed to be a self-employed person and must pay the tax within fourteen (14) days after the end of each month to the Commissioner General.

MINIMUM WAGE

Self-employed persons earning less than the minimum wage in any week are not liable to pay Education Tax.

Additionally any employed person whose total emoluments in any week is less than the minimum wage is **deemed** to be a self-employed person and therefore would not be liable to pay Education Tax.

DOMESTIC WORKERS

Domestic workers whose emoluments in any week exceeds the minimum wage are liable to pay education tax. The employer of that domestic worker is to deduct and pay to the Commissioner General the tax within fourteen days after the end of the month.

The amount to be paid is 20c per week by both the domestic worker and the employer.

Where a domestic worker has more than one employer and his/her combined emoluments is in excess of the minimum wage, that domestic worker is considered to be a self-employed person and must pay the tax within fourteen (14) days after the end of each month to the Commissioner General.

Domestic workers (whether a citizen of Jamaica or not) employed to an international organization of which Jamaica is a member is regarded to be an employed person.

OVER PAYMENTS

If an employer in error overpays Education Tax, the overpayment may be set off against subsequent liabilities in the same tax year.

DUE DATE FOR PAYMENTS

All Education Tax payments are due within fourteen days after the end of every month.

EMPLOYMENTS WHERE PERSONS ARE TREATED AS SELF EMPLOYED PERSONS

Employment of a person in any of the following offices:

- Governor General, Deputy Speaker, Minister, Parliamentary Secretary, Leader of opposition, Senator, Member of the House of Representatives, Member of the Privy Council, Judge of the Supreme Court, Judge of the Court of Appeal, Clerk or Deputy Clerk of either House.

- Employment of a person in any employment where he would ordinarily be regarded as an employed person, but his employer is not ordinarily resident in Jamaica and has no place of business in Jamaica.
- Employment as an agent paid by commission or fees or a share in the profits or part of both, where this is the main source of earnings or where a person employed as an agent by more than one employer.
- Where a taxpayer's wife employs a 3rd party under a contract of service.
- Employment of a person who is a citizen of Jamaica under any of the following employment:
 - As a head of mission or member of mission of a head of mission
 - As a consular officer or consular employee as defined in the Diplomatic Immunities and Privileges Act of by virtue of like immunity been conferred on a person (e.g. on the wife of the official)
 - As a member of the armed forces of any country other than Jamaica.
 - Employment, other than as a domestic worker, of any person by an international organization of which Jamaica is a member.

EMPLOYMENT WHICH IS TREATED AS NOT BEING EMPLOYMENT EITHER AS AN EMPLOYED OR AS A

SELF-EMPLOYED PERSON

1. Employment of a married woman (whether or not under contract of service) by, or as a partner of, or in any similar association with, her husband.
2. Employment without pecuniary remuneration by the employed person's relative.
3. Employment by any person who is not a citizen of Jamaica:
 - a. As head of mission or member of mission of a head of mission
 - b. As a consular officer or consular employee as defined in the Diplomatic Immunities and Privileges Act of by virtue of like immunity been conferred on a person (e.g. on the wife of the official)
 - c. As a member of the armed forces of any country other than Jamaica.
 - d. By an international organization of which Jamaica is a member (Other than employment as a domestic worker)

RATES OF TAX

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|-----------------------|---|----------------------------|--------------------------------|
| Employed persons | - | Employee pay 2.25% | Employer pay 3.5% |
| Self-employed persons | - | Pay 2.25% | |
| Domestic workers | - | Employee 20 cents per week | Employer pay 20 cents per week |

ON WHAT IS EDUCATION TAX TO BE COMPUTED

Education tax is payable on statutory income, that is, gross income less NIS and any payment to an approved pension fund.

Example:

Liz Brown is an employee of a hardware company in Jamaica and earns gross income of \$1,500,000.00 per annum. How much is she required to contribute to Education Tax per month?

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|--------------------------|-----------------|
| Answer: | \$ |
| Gross pay per month | 125,000.00 |
| Less NIS (2.5% of gross) | <u>3,125.00</u> |
| Statutory Income | 121,875.00 |
| Education Tax Due | 2,742.18 |