



# Taxes & Contributions

## (Rates)

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

2013

\* **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).

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

An employee is earning \$60,000 per month as gross pay. The company has an approved pension scheme for which the employee contributes \$1,000 per month. Below is an illustration of the calculation of the statutory and taxable income to arrive at Net Pay:

	2012	DEDUCTIONS	2013	DEDUCTIONS
Gross Pay	\$60,000		\$60,000	
Less Pension Contribution	(\$1,000)	\$1,000	(\$1,000)	\$1,000
Less NIS (2.5% of \$60,000)	(\$1,500)	\$1,500	(\$1,500)	\$1,500
<b>Statutory Income</b> (\$60,000 - \$1,000 - \$1,500)	<b>\$57,500</b>		<b>\$57,500</b>	
Education Tax	\$1,150	\$1,150	\$1,293.75	\$1,293.75
( 2/2.25% of <i>Statutory Income</i> ) ( 2/2.25% × \$57,500)				
<b>NHT (2% of Gross Pay )</b> (2% × \$60,000)	\$1,200	\$1,200	\$1,200	\$1,200
Less Income Tax Threshold	<u>\$36,764</u>		<u>\$42,276</u>	
<b>Taxable Income</b> (\$57,500 - \$36,764) (\$57,500 - \$42,276)	\$20,736.00		\$15,224.00	
<b>Income Tax</b> (25% of \$20,736) (25% of \$15,224)	\$5,184.00	<u>\$ 5,184</u>	\$3,806	<u>\$3,806</u>
<b>Net Pay</b> (Gross Pay less Total Deductions: \$60,000 - \$ 10,034) (Gross Pay less Total Deductions: \$60,000 - \$8,799.75)	<b>\$49,966</b>	<b>\$10,034</b>	<b>\$51,200.25</b>	<b>\$8,799.75</b>

NIS is calculated at 2½% of Gross Pay up to a ceiling of \$1,500,000( per year).  
The maximum amount **an employee** pays for NIS is **\$37,500** yearly or **\$3,125** monthly.

### Income Tax Threshold

	½ Year	Per Year	Weekly	Fortnightly	Monthly
Total Threshold for 2012		<b>\$441,168</b>	<b>\$8,484</b>	<b>\$16,968</b>	<b>\$36,764</b>
Total Threshold for 2013		<b>\$507,312</b>	<b>\$9,756</b>	<b>\$19,512</b>	<b>\$42,276</b>

Threshold **means** the tax-free portion of **your taxable** pay and which is used for Income Tax computation only. If your pay is below the threshold NO Income Tax will be deducted.

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