

## **SELF-EMPLOYED INDIVIDUALS TAXES & CONTRIBUTIONS (RATES)**

	<b>RATES</b>	<b>Basis of Calculation</b>
<b>NIS *</b>	<b>5%</b>	Net Profit
<b>NHT</b>	<b>3 %</b>	Net Profit
<b>ED TAX</b>	<b>2.25%</b>	<b>** Statutory Income</b>
<b>INCOME TAX</b>	<b>25%</b>	Taxable Income

Revised, April 2013

**\*NIS Ceiling for Self-Employed: 5% of \$1,500,000 = \$75,000 per annum**

**\*\*Statutory Income = Total Income Less Allowable Deductions.**

**Allowable Deductions** are NIS Contribution, Approved Retirement Scheme Contributions, Capital Allowances, Losses and Approved Donations.

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

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**HOW TO CALCULATE A SELF-EMPLOYED PERSON'S INCOME TAX LIABILITY for 2013**

A 65 year old pensioner started his business in 2013 and earned \$1.5 million in gross receipts and \$96,000 as NIS Pension Income. For 2013 he will receive the Pension's Relief of \$80,000 and Age Relief of \$80,000 totaling \$160,000. He purchased a computer at the start of business for \$60,000. Below is an illustration of the calculation of the statutory and taxable income to arrive at tax payable. In addition he receives \$150,000 as net rental income.

	\$	\$
Gross Receipts		1,500,000
<b>Less:</b> Cost of Sales/Operations		<u>(400,000)</u>
<b>GROSS PROFIT</b> (1,500,000 - 400,000)		1,100,000
<b>*Less:</b> Business/Administrative Expenses		<u>(300,000)</u>
<b>NET PROFIT</b> (1,100,000 - 300,000)		<b>800,000</b>
<b>Add:</b> NIS Pension Income	96,000	
Net Rental Income	<u>150,000</u>	
		<b>246,000</b>
<b>TOTAL INCOME</b> (800,000 + 246,000)		\$1,046,000
<b>LESS: Allowable Deductions</b>		
Capital Allowance (computer)	25,500	
Exemptions (Pension and Age Reliefs)	<u>160,000</u>	
		<u>(\$185,500)</u>
<b>STATUTORY INCOME</b> (1,046,000 - 185,500)		<b>\$860,500</b>
<b>Less:</b> Income Tax Threshold		<u>(507,312.)</u>
<b>TAXABLE INCOME</b> (860,500.00 - 507,312)		<b>353,188.</b>
<b>TAX PAYABLE</b> (353,188 x 25%)		<b>\$88,297.</b>

**Cost of Operations = Opening Stock + Purchases - Closing Stock.**  
**\$400,000.00 = \$750,000 + \$250,000 - (\$600,000)**

**\*Administrative Expenses** consists of all **operational costs** of \$300,000 such as rent - \$200,000 , wages - \$100,000(*complete on form IT01 - Schedule 1* )

**Capital Allowance** on computer (*complete on form Schedule 2 - Capital Allowance Schedule*)

- **Initial Allowance** - \$60,000 x 20% = \$12,000

- **Annual Allowance** - \$60,000 x 22½% = \$13,500  
 \$25,500

**Threshold** means the **tax-free** portion of **your taxable** Income and this amount is only used to calculate Income Tax.