
TECHNICAL ADVISORY

Issued By: Tax Administration Jamaica (TAJ)
Date: January 2014
Advisory #: 2014/10/IT
Technical Paper: *“The Application of the New Threshold and the Hotel Gratuity Threshold for individual taxpayers for Year of Assessment 2013”*

LEGISLATIVE REFERENCE:

All reference is to the Income Tax Act

YEAR OF ASSESSMENT 2013

Effective January 1, 2013, the Income Tax Threshold for individuals has been increased from \$441,168 per annum to \$507,312 per annum. Consequently, the exempt amount of \$29,104 allowed for, Hotel employees in respect of Gratuity payments, under section 12 (af) of the Income Tax Act has been reduced to zero/nil.

YEAR OF ASSESSMENT 2012

An employee (under a gratuity scheme established in relation to categories of employment specified by the Minister by Order) who earned emoluments of not more than \$500,000.00, pursuant to a gratuity scheme, benefited from an exemption in the amount of \$29,104.00 in addition to the annual Income Tax Threshold.

The following table reflects the positions for 2012 and 2013 for an individual whose emolument did not/does not exceed \$500,000 per annum pursuant to a gratuity scheme mentioned in section 12(af) of the Income Tax Act.

	2012	2013
Emoluments	\$500,000	\$500,000
Less Gratuity Exemption	29,104	0
Less Threshold	441,168	507,312
Taxable Emoluments	29,728	0

BACKGROUND:

Section 12(af) of the Income Tax Act provided for a Tax Free Gratuity of \$250,000 for employees within the Tourism Sector whose emoluments were below \$500,000.00. These employees would benefit from the tax free gratuity in addition to the annual threshold (Nil Rate).

The provision was amended in 2009 to allow for the tax-free amount to be **\$470,272** inclusive of the threshold. Consequently, when the threshold was revised in July 2009, the tax free amount in excess of the threshold was reduced. The tax-free gratuity in 2009 – 2013 was reduced from \$250,000 as follows:

Year	Gratuity Free Pay	Threshold (Nil Rate)
2009	January – June \$125,000	220,272
	July – December \$74,768	320,736
2010 - 2012	\$29,104 (470,272-441,168)	\$441,168
2013	0	\$507,312