



TECHNICAL ADVISORY

Re: The Application of the New Threshold for individual taxpayers Year of Assessment 2008 and 2009

YEAR OF ASSESSMENT 2008

The increase in the threshold from \$193,440 to \$200,304 as of July 1, 2008 will have the following effect:

January 1, 2008 to June 30, 2008	Threshold \$193,440 /12 x 6 =	\$ 96,720
July 1, 2008 to December 31, 2008	Threshold \$200,304 /12 x 6 =	<u>\$100,152</u>
Total Threshold Y/A 2008		\$196,872

The increase in the threshold with an effective date of July 1, 2008, means that as of July 1, 2008 individuals will be entitled to nil rate of tax as follows:

\$100,152/6.....	\$16,692	monthly
\$100,152/13.....	\$7,704	fortnightly
\$100,152/26.....	\$3,852	weekly

Self Employed Individuals

These persons are required to file estimated returns for the current year and make payments of their estimated tax liability in four equal instalments. Those who have already filed such returns will be allowed to file amended returns and claim the additional threshold amount for the last two (2) quarters of Year of Assessment 2008. See Chart below.

The net Tax effect for each individual will be a reduction of \$858 (\$3,432 x 25%) in tax payable for the year.

Quarter Ending	Nil Rate Already Claimed	Entitlement	Additional
September 30,2008	\$16,120 x 3= \$48,360	\$16,692 x 3 = \$50,076	\$1,716
December 31, 2008	\$16,120 x 3= \$48,360	\$16,692 x 3 = \$50,076	\$1,716
Total	\$96,720	\$100,152	\$3,432

Returns for Year of Assessment 2008 should claim Nil Rate of \$196,872 and not \$193,440.

YEAR OF ASSESSMENT 2009

Effective January 1, 2009, the threshold will be raised to \$220,272. Individuals will therefore be entitled to the following nil rate of tax:

\$220,272/12.....	\$18,356	monthly
\$220,272/26.....	\$8,472	fortnightly
\$220,272/52.....	\$4,236	weekly

PENSIONERS

Pensioners will benefit from the new tax measures only as far as the threshold is applicable. **There is no amendment to Sections 12(z) and 12(ab).**

The two exemptions of \$45,000 given by Section 12(z) and 12(ab) of the Income Tax Act along with the increase in threshold, will now allow pensioners the following entitlements:

Year of Assessment 2008

Pensioners under age 65 years

Exempt Income [Section 12(z)]	\$45,000
Income at Nil Rate of Tax	<u>\$196,872</u>
Total Tax Free Income	\$241,872

Pensioners over age 65 years

Exempt Income [Section 12(z)]	\$45,000
Exempt Income [Section 12(ab)]	\$45,000
Income at Nil Rate of Tax	<u>\$196,872</u>
Total Tax Free income	\$286,872

Individuals over age 65 not in receipt of pension

Exempt Income [Section 12(ab)]	\$45,000
Income at Nil Rate of Tax	<u>\$196,872</u>
Total Tax Free Income	\$241,872

Year of Assessment 2009

Pensioners under age 65 years

Exempt Income (Section 12z)	\$45,000
Income at Nil Rate of Tax	<u>\$220,272</u>
Total Tax Free income	\$265,272

Pensioners over age 65 years

Exempt Income (Section 12z)	\$45,000
Exempt Income (Section 12ab)	\$45,000
Income at Nil Rate of Tax	<u>\$220,272</u>
Total Tax Free income	\$310,272

Individuals over age 65 not in receipt of pension

Exempt Income [Section 12(ab)]	\$45,000
Income at Nil Rate of Tax	<u>\$220,272</u>
Total Tax Free Income	\$265,272