

TECHNICAL ADVISORY

Issued By: Tax Administration Jamaica (TAJ)
Date: December 1, 2015
Advisory #: 2015/12/IT
Technical Paper: **Application of the New Threshold for Individual Taxpayers Year of Assessment 2016**

As part of the Revenue Measures for the Fiscal Year 2015/2016 and the thrust of the Government of Jamaica to improve tax administration and for ensuring equitable distribution of the tax burden, there is an increase in the Income Tax Threshold from \$557,232 to \$592,800.

Effective Date

The increase will take effect January 1, 2016.

Legislative Reference:

All reference is to the Income Tax Act.

YEAR OF ASSESSMENT 2016

The increase in the threshold from \$557,232 to \$592,800 effective January 1, 2016 will result in the following tax free amounts being applied to income earned by an individual before the calculation of income tax:

\$ 49,400.00	Monthly
\$148,200.00	Quarterly
\$ 22,800.00	Fortnightly
\$ 11,400.00	Weekly

NOTE: Year of Assessment 2016 will carry 53 weekends, however, the Income Tax Threshold is calculated for 52 weeks. This will result in no threshold being applied to payments made for the 53rd week. Consequently, payments made for the 53rd week will be subject to tax in full.

Individuals

The net tax effect per annum for each individual will result in a tax saving of \$8,892.00 (\$592,800 – \$557,232 = \$35,568 x 25%) or \$2,223.00 per quarter or \$741.00 per month.

NOTE: Self-employed persons are required to file estimated returns for the current year and make payments of their estimated tax liability in four equal installments.

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 \$80,000 provided for 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 2015	YEAR OF ASSESSMENT 2016
Pensioners under age 65 years		
Exempt Income [Section 12(z)]	\$ 80,000	\$ 80,000
Income at Nil Rate of Tax	<u>\$557,232</u>	<u>\$592,800</u>
Total Tax Free Income	\$637,232	\$672,800
Pensioners age 65 years and over		
Exempt Income [Section 12(z)]	\$ 80,000	\$ 80,000
Exempt Income [Section 12(ab)]	\$ 80,000	\$ 80,000
Income at Nil Rate of Tax	<u>\$557,232</u>	<u>\$592,800</u>
Total Tax Free income	\$717,232	\$752,800
Individuals age 65 and over not in receipt of pension		
Exempt Income [Section 12(ab)]	\$ 80,000	\$ 80,000
Income at Nil Rate of Tax	<u>\$557,232</u>	<u>\$592,800</u>
Total Tax Free Income	\$637,232	\$672,800