

JBA - Tax Workshop – March 1, 2014

Topics

- Business types
- Tax types
- Tax Compliance starting with COJ
- Payroll/Individual Calculation and Returns
- Labour Laws & Entitlements
- Completion of Tax Forms – IT01, IT05, IT07
- GCT

Benefits of Compliance

- Minimize possibility of tax audits
- Avoid enforcement strategies e.g. court action
- Benefits for Individuals
- NIS – health (NI Gold), funeral grant, disability, invalidity, employment injury benefit, widow/widower, maternity, orphans, old age etc.
- NHT – housing (purchase, repairs, development etc.)

Cost of Non-Compliance

- Additional Fees – accounting, legal
- Penalty and interest charges (which are usually compounded)
- Opportunity cost – time wasting
- Distraction and embarrassment
- Illness and even death

Business Types

- Individual
- Self-employed
- Professionals
- Limited Liability Company – separate person in law

Business Registration at the Companies Office of Jamaica

- All businesses must be registered whether it is a corporation (limited liability company) or self-employed persons - using a business name or not
- **All professionals since Jan 2, 2014**

Companies Office

- The Super Form from Jan 2, 2014
- Turnaround time 4 working days

Business Laws

(Applicable to most Businesses)

- Companies Act
- Labour Laws
- Income Tax Act
- Payroll Laws
- Individual Income Tax – Employees, Self-employed
- Education Tax
- National Housing Trust
- National Insurance Scheme
- HEART – employer’s contribution only
- General Consumption Tax (GCT)

Business Registration

- All businesses must be registered whether
- corporation - limited liability company or
- self-employed person using a business name or otherwise
- **All professionals since Jan 2, 2014**

From Jan 2, 2014 registration with **all Tax Authorities** can be done at the COJ at the point of registering the company for **Limited Companies only**

- Registration of Individuals, still subject to registering at 4 locations
- Tax Returns
- Tax Year for businesses, Jan-Dec
- Different from budget year which is Apr-Mar
- Businesses can apply to the commissioner TAJ for reporting year other than Jan-Dec. The most efficient is Feb-Jan = 14 months to make returns
- Business Tax Returns are due March 15th each year
- Payroll **annual** returns are due March 31st each year

Business Tax Forms

- Form IT01, 3, 5 – Individual business owners
- IT01 – Individuals – Cost of sales
- IT03 – Partnerships
- IT05 – Individuals – pensioners
- Form IT02 – Limited Liability Companies
- Form IT07 – Estimated returns for next year

Payroll Taxes

- Tax Reform, aim, to group income and deductions to maximize efficiencies in calculation, remittances and returns
- **Parts, have been introduced viz.:**
- The grouping of Monthly Remittances
- (Form S01 - effective Jan 2011)
- The grouping of Annual Returns
- (Form S02 - effective year 2011)
- **NB: HEART - no returns required - so not on Form S02**

Form S01 – Monthly Remittances

- Due the 14th of the following month
- Online forms available
- NB: you owe it to yourself, even if you have only one employee, to use a payroll software:
- I recommend you outsource if you don't have the expertise or the time but **primarily if you don't have the time**

Payroll – Penalty & Interest

- Each Payroll Law attracts **Penalty** apart from Education Tax and NIS
- PAYE – 50%
- NHT – 20%
- HEART – 20%
- Each Payroll Law attracts **Interest** apart from Education Tax
- PAYE – 20%
- NIS – 20%
- NHT – 20%
- HEART – 20%

Form S02 – Annual Returns

- Due the 31st March of the following year
- Online forms available
- Reconciliation of Amount due with amount paid
- **Must** complete before making final payment for the previous year
- Major advantage of using payroll software. Year-end reports, automatically produced

Payroll Administration falls under 2 headings

- **The Labour Laws**, which set the tone and establish the conditions under which work should take place and
- **The Tax Laws** which dictate :
 - Who should pay taxes
 - Type of taxes
 - How, when and where

The Labour Laws

- **Wage means remuneration in money and does not include the value of:**
- Any lodgings or food supplied
- Any other benefits conferred on the worker by his/her employer
- Eight (8) hours is the **normal** working day
- Forty (40) hours **normal** working week
- Employees should receive **at least 45** minutes for lunch
- Proper records should be kept of employment (wages paid, hours of employment etc)
- At least two seats is to be provided for every three employees
- Employers should have in their possession **copies of the Labour Laws**

Shops and Offices Safety Provisions Act

- This Law deals with the whole question of Ergonomics which is the study of the relationship between people and their working environment and covers:
- Hearing consumption and noise control
- Toxic substances (effects on the Skin and the Respiratory system)
- Ventilation
- Lighting
- Furniture

The Income Tax Act states that **income from all sources is taxable.**

- This applies to:
- Individuals – Tax rate – 25%
- Unregulated Companies – 25% (from Jan 2013)
- Regulated Companies– 33.3%

Statutory Deductions

- PAYE
- Education Tax
- NIS
- NHT
- Pension, Superannuation

Net Pay Calculation

- Determine Gross Pay – taxable and non-taxable
- Separate Taxable Pay
- Subtract statutory deductions
- Subtract non-statutory deductions
- Net Pay = Total emoluments less Total deductions

Computations - Statutory Deductions

- Computations - Statutory Deductions

Statutory Deductions are payable by employees/self-employed between the ages of 18 and 65

PAYE

- 25% after subtracting
- Nil Rate/Tax Threshold/Tax Credit/Free Pay – (**\$507,312** per year from Jan 1, 2013)
 - Monthly $\$507,312/12 = 42,276$
 - Fortnightly $\$507,312/26 = 19,512$
 - Weekly $\$507,312/52 = 9,756$
 - **Bi-monthly** $\$507,312/24 = 21,138$
- NIS
- Pension (including Independent Retirement Plan), superannuation

Ed Tax

- 2.25% after subtracting NIS, Pension, ESOP from **April 1, 2013**. (Was 2%). Employer's contribution increased to 3.50% also from **April 1, 2013**.

NIS

- 2.5% of Total Emoluments to a **maximum** of \$1,500,000 (**ceiling**) from Jan 7, 2013.

NHT

- 2% of Total Emoluments – no deductions, modifications or adjustments

Pension/Superannuation

- Variable rates

NB **Basic Pay** is pay per contracted/negotiated rate. Does not include overtime pay or allowances

Tax Types, Rates and Tips

Income Tax - Company & Individual Tax

- Limited companies – regulated & unregulated – (33% & 25% from Jan 2013 respectively)
- Individual – employee, self-employed, pensioner
PAYE – 25% (deduction only)

Ed Tax – 2% and 3% (deduction and employer's contribution)

NIS – 2.5% and 2.5% (deduction and employer's contribution)

NHT – 2% and 3% (deduction and employer's contribution)

HEART – 3% (employer only – **not applicable to self-employed**)

General Consumption Tax (GCT) 16.5%

Assets Tax – Limited Cos only – scale, based on asset value

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Vacation leave entitlement