



INCOME TAX FOR INDIVIDUALS/ BUSINESSES

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you better*

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Published by
Tax Administration Services Department
Office Centre Building
12 Ocean Boulevard
Kingston

July 2009

INTRODUCTION

Jamaica's Economic growth is impacted by the success of self-employed persons' businesses. At the Tax Administration, it is our goal to provide all the support we can to help entrepreneurs to meet their tax obligations.

Filing of Returns

➤ Individuals are required to file *Income Tax Return - IT01* which include:

- Self-employed
- Employed persons with other income (including pensioners)
- Partners (showing share of partnership profits) -IT 01 & IT 03

Provided income from *all* sources in any year of assessment exceeds the tax free income (threshold) of \$270,504 (effective 01 July, 2009)

Individuals are required to file with the Commissioner of Inland Revenue by **March 15:**

- A final income tax return for the previous year (IT01).
- An estimated income tax return for the current year - (IT07)

NB. A partnership is not taxable, but a partnership return (IT03) should be filed showing the partnership income and its distribution. Each partner's return ***must*** include the share of the partnership profit.

All returns filed for each partner should have a Taxpayer Registration Number (TRN).

Tax Payments

The previous year's tax liabilities should be paid by **March 15** and estimated tax paid quarterly by **March 15, June 15, September 15** and **December 15**.

Income Sources

Income includes profit or gain from business, trade, profession, vocation, rent, interest, dividends, farming, etc.

Examples of sources of income:

- Sale of goods
- Fees received from rendering services/subcontracts
- Farming
- Mini-bus/taxi service
- Rent

Examples of Professionals (operating in private practice).

- Doctors
- Lawyers
- Accountants
- Engineers

Deductions Allowed



- Wages and salaries for staff
- Rental paid for business premises
- Interest paid towards bank loans/overdrafts used for business purposes
- Insurance-fire/theft
- Transportation expense
- Other expenses incurred in the production of business income



Deductions Not Allowed

- Private/domestic expenses
- Capital expenses
- Depreciation

(see section below on Capital Allowances)

Capital Allowances

Capital allowances can be deducted from business income instead of depreciation. The rate of the capital allowances afforded by the Commissioner depends upon the type of asset.

Business Losses

Losses from a business can be set off against the total income from all sources received in the current year.

If a loss cannot be fully offset, the balance may be carried forward indefinitely.

Income Tax Threshold

Year	Threshold Amounts Per Annum
2001 - 2004	\$120,432
2005 January 01 - June 30 -	\$60,216
July 01 - December 31-	\$84,552
	TOTAL \$144,768
2006	\$193,440
2007	\$193,440
2008 January 1- June 30	\$96,720
July 1- December 31 -	\$100,152
	TOTAL \$196, 872
2009 January 1- June 30	\$110,136
July 1- December 31	\$160,368
	TOTAL \$ 270,504
2010	\$441,168

Rates and Exemptions - 2009

Tax Rate	25%
Nile Rate (threshold)	\$270,504
Age exemptions (over 65)	\$62,500
Pension Exemption	\$62,500

Calculation of Tax Liability

Total income less business expense, then subtract nil rate. (Tax at 25%)

Total Income	\$1,200,000
Less Business Expenses	\$ 650, 000
Statutory income	\$ 550,000
Less nil rate (2009)	\$270, 504
Taxable income	<u>\$279,496</u>
Tax (25% X 279,496)	\$69,874

Responsibility of an individual carrying out a business or engaged in Private Practice (professionals)

Keep complete records of all:

- Sales, fees received
- Purchases
- Stock
- Drawings (cash/goods for personal use)
- Other business expenses



Powers of the Commissioner - TAAD

The Commissioner of Taxpayer Audit & Assessment (TAAD) is empowered by the Income Tax Act to make assessments in the absence of proper records, documents and information. This can be done at any time within six (6) years after the end of the chargeable year of assessment.

To verify tax liability(ies), return (s) may be randomly selected for audit.

Five (5) Reasons Why Keeping Proper Records Can Benefit You

1. Well-kept records may shorten the length of time an income tax audit takes to be completed.
2. Can help you get loans from banks and other creditors.
3. Keeps you better informed about the financial position of your business.
4. Can mean tax savings, as it can be used as a reminder of deductible expenses and credits.
5. Can help to verify all your business expenses for tax audit purposes.

NB. In filing your annual return, income from **all** sources **must** be included. If you are also employed, any tax deducted by your employer is allowable as a credit against your liability.