

SCHOOLS & TAXATION- WHAT YOU NEED TO KNOW



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INTRODUCTION

This presentation is aimed at sensitizing the audience on the fundamental principles involved in administering payroll taxes and the applicable taxes as it relates to an educational Institution.

All legislative references will be made to Income Tax Act and Regulations and the GCT Act and Regulations.

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Objectives

At the end of this presentation you should

- Understand how to account for Payroll taxes and what income should be brought to the payroll.
- Know the distinction between contract of service and contract for service.
- Understand how to relate to non-tax compliant clients/customers/contractors.

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Overview Parameters

- Tax Administration, an arm of the Ministry of Finance, headed by the Director General, has the responsibility for Taxation in Jamaica.
- There are five departments within Tax Administration one of which is Taxpayer Audit and Assessment Department (TAAD) which has the responsibility for Audit and Assessment of Taxes such as Income Tax, PAYE, GCT, SCT, Education Tax and Stamp Duty & Transfer tax.

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Contract of Service

Contract of Service – Employment - Criteria:

- Subject to supervision.
- Subject to direction and control.
- Specified notice period required for termination.
- Does not conduct business on his own account and does not risk own capital and is paid a fixed salary.

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Contract for Service

Contract For Service – Contract -Criteria

- Works on his own time, not subject to supervision, direction or control.
- Requires no specific notice period for termination.
- Risks his own capital and uses his own equipment.
- Payment of a fixed amount for the completion of the job.

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Part-Time Teachers

- Part-time teachers are employees (contract of service).
- Where there is a primary job, other than the part-time position, PAYE should be deducted from the full amount paid.
- The nil rate is not applied in these instances.

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Part-Time Teachers

Not otherwise employed –

Retired persons:

- The full amount should be taxed – may be in receipt of a pension and investment income.
- The individuals may apply to the Commissioner of TAAD for a Refund.
- If convinced that the person has no other source of income you may apply the nil rate.

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Taxable Allowances

All allowances are taxable however a teacher may be paid the following allowances **tax-free**

- Material Allowances (sec. 12 (rr)).
- Traveling Allowances **if approved**.
- Meal allowance paid for work done outside of normal working hours.
- Bursary for full-time instruction at a university or other educational establishment. (study leave).

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Housing Allowance

Effective August 2009:

- Rental benefit was increased from 15% to 30% of gross taxable emoluments for persons occupying facilities owned by the school or for whom the school has to provide accommodation otherwise.

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Suppliers

- The Government's procurement procedures must be adhered.
- For institutions that are not operated by government and there are not stipulations regarding a Tax Clearance Certificate (TCC) then there are no mandatory positions except that an invoice must be issued for services rendered or goods delivered.

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Corporate Taxes

- There are two primary types of taxes which are readily applied and are relevant to an Educational Institution:
 - Income Tax
 - PAYE for Employees
 - General Consumption Tax (GCT)

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Corporate Taxes – Income Tax

- Under section 12 (h) of the Income Tax Act the income of any corporation or association organized and operated exclusively for religious, charitable, scientific, or educational purposes, no part of the net income which inures to the benefit of any private stakeholder, is exempt from income tax.

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Corporate Taxes - GCT

- Under the 3rd Schedule Part I of the GCT Act, goods (excluding motor vehicles, alcoholic beverages, motor spirit, kerosene and diesel oils and goods purchased for fund raising events) purchased by an educational institution approved by the Minister responsible for education for its own use and so certified by the head of that educational institution.

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Corporate Taxes

and from funds, for which the educational institution is accountable is exempt from GCT.

Part II of the 3rd Schedule sec. 12 states that the provision of Education or training in an educational institution approved by the Minister of Education.

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Statutory Deductions

- Statutory Deductions are amounts levied against a person's income, which are to be used for the common good of the individual and the nation.
- Each contributor is a winner in his or her own right, as there are benefits to be derived.
- There are five major types of deductions: NIS, NHT, Education Tax, PAYE and HEART.

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Statutory Deductions

- **NIS (National Insurance Scheme)** – This is the first deduction computed in arriving at an individual's tax liability and is computed as follows:
- **Employed persons** (persons employed under contract of service): at the rate of 2.5% of income up to maximum of \$1,000,000 per annum. Employers match the amount paid by the employee.

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Statutory Deductions

NIS

- **Self employed persons** (persons employed under contract for services): at the rate of 5% of income up to maximum of \$1,000,000 per annum.
- Pensioners are exempt
- BENEFIT – OLD AGE PENSION
- Payments are made the 14th of each monthly to the IRD and Returns are filed annually to the NIS Office in your parish.

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Statutory Deductions

- NHT (National Housing Trust) – This computed at the rate of 2% of gross emoluments for employees and 3% for employers.
- BENEFIT – Possibility of obtaining a Mortgage or a house.
- Payments are made to NHT the 14th of each month and Returns are filed annually to NHT.

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Statutory Deductions

- Education Tax is computed at the rate of 2% of income after deduction of NIS and contributions to approved pension schemes. Employers contribute at the rate of 3%.
- Pensioners are exempt.
- Payments are to be made to the Inland Revenue Department the 14th day of each month and annual returns are filed with IRD.

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Statutory Deductions

- Only the employer pays.
- Providing your payroll cost exceeds \$173,328 per annum, the employer contributes 3% to HEART Trust.
- Payments are made to IRD the 14th of each month.
- BENEFITS – Jobs for Jamaicans as well as training.

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Statutory Deductions

PAYE – Pay As You Earn

- For year of assessment 2010 and over in 2011 a progressive Tax System was introduced:
- Income Bands:

0 – 5,000,000	@ 25%
5,000,001 – 10,000,000	@ 27.5
Above 10,000,000	@ 35%

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Statutory Deductions

In order to determine statutory income for an individual, the threshold must be applied:

- 2009 Threshold was \$270,504.
- 2010 Threshold was \$441,168.
- 2011 Threshold is \$441,168.

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Business Ethics

Knowing what is right and wrong and doing what is right.

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Service

- We encourage you to control your cash flow by:
- avoiding penalties.
- Avoiding interest on outstanding tax liabilities.
- File Returns on time, and
- Make appropriate deductions and pay on time.

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Enforcement

- Enforcement is our last resort and it hurts to apply stringent measures such as:



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Service

- Our offices are island wide and are equipped with qualified staff to assist taxpayers.
- Alternate Payment and Filing Options are available through our e-services

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THE END

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