

Payroll Taxes and Statutory Contributions (Employee / Employer)

Are you puzzled by the figures on your pay advice? Then this publication is just for you; it will help you understand how to calculate your Statutory Deductions of NIS, NHT, Education Tax, PAYE (Income Tax) and your take home pay.

Let's start with some useful definitions and payroll related information.

Gross Emoluments

This represents the total income earned in relation to employment, whether in cash or kind. It includes salaries, wages, fees, allowances, and any other benefits received.

Statutory Income

This is the gross emoluments less all allowable deductions and applicable exemptions under the Income Tax Act.

Statutory Deductions

These are amounts that employers are mandated by law to deduct in respect of the emoluments paid.

Threshold

This is the portion of an individual's statutory income that is subject to tax at the rate of zero percent (0%). The threshold was increase from \$1,500,096 to \$1,700,088 on April 1, 2024, and from \$1,700,088 to \$1,799,376 on April 1, 2025 and will move to \$1,902,360 on April 1, 2026 and \$2,003,496 on April 1, 2027. Consequently, these increases have given rise to an effective threshold for the years of assessment 2024 to 2027. See details in the tables below:

Table # 1 (YA 2024)

Pay Periods	Computation	Threshold (\$)	Monthly Amount (\$)
January 1, 2024 to March 31, 2024	$(\$1,500,096 \times \frac{3}{12})$	<u>375,024</u> <u>3</u>	125,008
April 1, 2024 to December 31, 2024	$(\$1,700,088 \times \frac{9}{12})$	<u>1,275,066</u> <u>9</u>	141,674
Effective Threshold - 2024		1,650,090	

Allowable deductions may include contributions to NIS, an approved pension fund, an approved retirement scheme as well as moneys used to purchase shares under the Employee Share Ownership (ESOP) Plan Act.

Exceptions may include age exemption, pension exemption or disability exemption etc.

Table # 2 (YA 2025)

Pay Periods	Computation	Threshold (\$)	Monthly Amount (\$)
January 1, 2025 to March 31, 2025	$(\$1,700,088 \times \frac{3}{12})$	$\frac{425,022}{3}$	141,674
April 1, 2025 to December 31, 2025	$(\$1,799,376 \times \frac{9}{12})$	$\frac{1,349,532}{9}$	149,948
Effective Threshold - 2025		1,774,554	

Table # 3 (YA 2026)

Pay Periods	Computation	Threshold (\$)	Monthly Amount (\$)
January 1, 2026 to March 31, 2026	$(\$1,799,360 \times \frac{3}{12})$	$\frac{449,844}{3}$	149,948
April 1, 2026 to December 31, 2026	$(\$1,902,360 \times \frac{9}{12})$	$\frac{1,426,770}{9}$	158,530
Effective Threshold - 2026		1,876,614	

Table # 4 (YA 2027)

Pay Periods	Computation	Threshold (\$)	Monthly Amount (\$)
January 1, 2027 to March 31, 2027	$(\$1,907,360 \times \frac{3}{12})$	$\frac{475,590}{3}$	158,530
April 1, 2027 to December 31, 2027	$(\$2,003,496 \times \frac{9}{12})$	$\frac{1,426,770}{9}$	166,958
Effective Threshold - 2027		1,978,212	

Rates of Taxes & Contributions

The table below outlines the rate of each deduction as well as the applicable income base.

Table #5

Taxes & Contributions	Employee Contribution	Employer Contribution	Basis of Calculation
NIS Contribution	3%	3%	Gross Emoluments not exceeding \$5,000,000
NHT Contribution	2%	3%	Gross Emoluments
Education Tax	2.25%	3.5%	Statutory Income
PAYE /Income Tax	Up to Threshold - 0% >Threshold up to \$6M – 25% >\$6M – 30%		Statutory Income
HEART	Not applicable	3%	Gross emolument if the employer's payroll costs exceeds \$173,328 per annum

Illustrations of the Computation of Taxes and Statutory Contributions

Scenario # 1 *Gross Salary Less than Income Tax Threshold*

John Johns is employed to JAT Ltd. His gross salary was \$125,000.00 for the month of April 2024 . He contributed 4% to an approved pension scheme			
		Income & Computations	Deduction
Gross Pay		125,000.00	
Pension Contribution (4% * \$125,000)		- 5,000.00	5,000.00
NIS (3%* \$125,000.00)		- 3,750.00	3,750.00
Statutory Income (\$125,000.00 - (\$5,000.00 + \$3,750.00))		116,250.00	
Education Tax :2.25% of Statutory Income (2.25% * \$116,250.00)			2,615.63
NHT: 2% of Gross Pay (2% * \$125,000)			2,500.00
Threshold Income Taxable @0%		141,674.00	-
<i>As the threshold exceeds the statutory income there is no income to be taxed at the other rates of 25% and 30%</i>			
Total Deductions			13,865.63
Net Pay: Gross Pay – Total Deductions (\$125,000 – \$13,865.63)		111,134.37	

Scenario # 2 - Gross Salary Greater than Income Tax Threshold but less than \$6M

Marcia Thomas- Brown is employed to ABS Company Ltd. Her gross salary was \$480,000.00 for the month of April 2025. She contributed 4% to an approved pension scheme. Calculate all relevant deductions and ascertain her net pay.			
		Income & Computations	Deduction
Gross Pay		480,000.00	
Pension Contribution (4% * \$480,000)		- 19,200.00	19,200.00
NIS (3%* \$416,666.66)		- 12,500.00	12,500.00
Statutory Income		448,300.00	
(\$480,000 - (\$19,200 + \$12,500))			
Education Tax :2.25% of Statutory Income			10,086.75
(2.25% * \$448,300)			
NHT: 2% of Gross Pay			9,600.00
(2% * \$480,000)			
Threshold/ Income Taxable @ 0%		149,948.00	-
Income Taxable & Tax @25%		298,352.00	74,588.00
Total Deductions			125,974.75
Net Pay: Gross Pay – Total Deductions		354,025.25	
NIS Monthly Ceiling (5,000,000/12)			

Scenario #3 – Statutory Income Exceeds \$6,000,000 Per Annum

Connie Bright is employed to ABS Company Ltd. Her gross salary was \$875,000.00 for the month of April 2026. She contributed 10% to an approved pension scheme.

Calculate all relevant deductions and ascertain her net pay

		Income & Computations	Deduction
Gross Pay		875,000.00	
Pension Contribution (10% * \$875,000)	-	87,500.00	87,500.00
NIS (3%* \$416,666.66)	-	12,500.00	12,500.00
Statutory Income (\$875,000- (\$87,500+ \$12,500))		775,000.00	
Education Tax :2.25% of Statutory Income (2.25% * \$775,000)			17,437.50
NHT: 2% of Gross Pay (2% * \$480,000)			17,500.00
Threshold / Income Taxable @ 0%		158,530.00	-
Income Taxable & Tax @25% (500,000-158,530)		341,470.00	85,367.50
Income Taxable & Tax @30% (775,000-500,000)		275,000.00	82,500.00
Total Deductions			302,805.00
Net Pay: Gross Pay – Total Deductions		572,195.00	
NIS Monthly Ceiling (5,000,000/12)			

The Employer Contributions

The employer will also make their contribution in accordance with the details in Table # 3 of this document.

Updated April 2025