TAXES & CONTRIBUTIONS FOR SELF- EMPLOYED PERSONS

	Rates	Basis of Calculation	Age limit
NIS*	**Effective Rates**	**Earnings from self-employment subject to NIS up to wage ceiling:**	18 - 65yrs. or Up to the deemed retirement age of 70yrs if contributor continues to be gainfully employed.
2019	5.375%	$1.5 Million	
2020	5.875%	$1.5 Million	
2021	6%	$3 Million	
2022	6%	$5 Million	
NHT	3%	**Statutory income	18 – 65 yrs.
ED AX	2.25%	**Statutory income	None
INCOME TAX	25%	Statutory income up to $6M less income tax nil rate	None
	30% Effective July 1, 2016	Statutory income in excess of $6M	

2020

***NIS**

The Ministry of Labour and Social Security has taken the decision to increase National Insurance Contributions. The rate change commenced on April 1, 2019 to be increased on a phased basis over the three years that follow. The increase in the wage ceiling takes effect in 2021 and again in 2022.

****Statutory Income** = Total income less allowable deductions and exemptions.

Allowable deductions include expenses incurred in earning the income, NIS contribution, approved retirement scheme contributions, capital allowances, losses and approved donations.

Where applicable, annuities, pension, superannuation or other allowance received in respect of past services are also to be deducted from the statutory income before computing NIS, NHT and Ed. Tax.

Nil rate is the portion of one's statutory income that is subject to income tax at 0%.

HOW TO CALCULATE A SELF- EMPLOYED PERSONS TAX LIABILITIES FOR 2016

The example below emphasizes the point that for the year of assessment 2016, it is statutory income in excess of $6M for the period July to December that attracts the 30% rate of income tax.

Marie and Steve are self- employed graphic artist (both non pensioners below 65 years old) with gross receipts in 2016 of $16,400,000 and $26,000,000 respectively, earned evenly throughout the year. The taxes and contributions are calculated as follow:

	Marie	Steve
	2016	2016
	$	$
Gross Receipt	16,400,000	26,000,00
Less: Cost of Sales	(6,000,000)	(14,000,000)
Gross Profit	**10,400,000**	**12,000,000**
Less: Business/Administrative Expenses	(6,400,000)	(4,400,000)
Capital Allowance	(400,000)	(800,000)
Net Profit	**3,600,000**	**6,800,000**
Less other Allowable Deduction		
NIS Contribution paid (5% of 1,500,000)	75,000	(75,000)
Statutory Income	**3,525,000**	**6,725,000**
Less: Threshold	(796,536)	(796,536)
Taxable Income	**2,728,464**	**5,928,464**
Income Tax (Taxable income x 25%)	682,116	1,482,116
Ed. Tax (Statutory income x 2.25%)	79,313	151,313
NHT (Statutory income x 3%)	105,750	201,750

In the example, Steve's statutory income for the year was $6,725,000 but the 30% rate was not applicable because it was stated in the facts of the case that the income was earned evenly throughout the year. This is indicative of the fact that Steve's statutory income for the period July – December 2016 was a half of the $6,725,000; hence the rate of 30% was not applicable.

HOW TO CALCULATE A SELF- EMPLOYED PERSONS TAX LIABILITIES FOR 2016

This example emphasizes the fact that for the year of assessment 2016, income and expenses are to be accounted for in the period which it was earned/ incurred.

Mr. John, a 66 year old business man declared income and expenses as follow:

2016	**January – June**	**July - December**
	$	$
Trade Income	15,000,000	18,000,000
Interest Income	500,000	500,000
Purchases	4,000,000	5,000,000
Wages	2,000,000	3,000,000
General Expenses	1,500,000	2,000,000
Losses b/f	1,000,000	1,000,000
Capital Allowances	500,000	500,000
ETC	240,000	
MBT	60,000	

2016	**January - June**				**July - December**		
	$	$	$		$	$	$
Trade Income		15,000,000				18,000,000	
Purchases	4,000,000				5,000,000		
Wages & Salaries	2,000,000				3,000,000		
General Expenses	1,500,000	(7,500,000)			2,000,000	(10,000,000)	
		7,500,000				8,000,000	
Interest Income		500,000				500,000	
Total Income		8,000,000				8,500,000	
Loss b/f	1,000,000				1,000,000		
Capital Allowance	500,000				500,000		
NIS Contribution	37,500				37,500		
Age Exemption	40,000	(1,577,500)			40,000	(1,577,500)	
Statutory Income (SI)		6,422,500				6,922,500	
Threshold @ 0%		(296,400)	0			(500,136)	
SI @ 25%		6,126,100	1,531,525			5,499,864	1,374,966
SI @30%			00			922,500	276,750
Total liability per period			**1,531,525**				**1,651,716**
Total Liability or Y/A							3,183,241
ETC							240,000
MBT **							60,000
Tax Payable							**2,883,241**

****MBT was abolished January 1, 2019**

The information in the scenario above is used to calculate the taxes and contributions for 2019

2019	**January - December**		
	$	**$**	**$**
Income		33,000,000	
Purchases	9,000,000		
Wages & Salaries	5,000,000		
General Expenses	3,500,000	(17,500,000)	
Trade Income		15,500,000	
Interest Income		1,000,000	
Total Income		**16,500,000**	
Loss b/f	2,000,000		
Capital Allowance	1,000,000		
**NIS Contribution Paid	80,625		
Age Allowance	80,000	(3,160,625)	
Statutory Income (SI)		**13,339,375**	
Threshold @ 0%		1,500,096	0
SI @ 25% (6,000,000 – 1,500,096)		4,499,904	1,124,976
SI @30% (13,339,375 – 6,000,000)		7,339,375	2,201,813
Total Income Tax Liability			**3,326,789**
Less ETC			(240,000)
Total Income Tax Payable			3,086,789
Ed Tax (13,339,375 @ 2.25 %			300,136

****NIS**

Jan- Mar. 3/12 x $1,500,000 x 5% = $ 18,750

April – Dec 9/12 x $1,500,000 x 5.5% = $61,875

Total = $ 80,625

NHT

The taxpayer is over the age of 65yrs hence he is not required to make NHT contribution.