

Our Mission

The Inland Revenue Department stands committed in its impartial treatment of its customers. We aim to provide an efficient, professional and courteous service, while administering the relevant tax laws on behalf of the Government and people of Saint Lucia

For further information, please contact us at our:-

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Inland Revenue Department
Saint Lucia

Ministry of Finance, International Financial Services & Economic Affairs



*Employer's PAYE
Guide*

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RATE OF TAX

On the first \$10,000 and under	10%
On the next \$10,000 viz. 10,001 - 20,000	15%
On the next \$10,000 viz. 20,001 - 30,000	20%
On the remainder	30%

THIS SUMMARY OF THE P.A.Y.E. SYSTEM IS NOT A SUBSTITUTE FOR THE LAW. IN CASE OF ANY INADVERTENT CONFLICT, THE LAW PREVAILS.



CONTRACT GRATUITY - INCOME TAX CLEARANCE

Prior to making the payment the relevant Ministry sends the necessary information to the Accountant General whose responsibility it is to request the Income Tax Clearance.

The approval from the Department can only be granted where an individual has filed all their Income Tax Returns and cleared all outstanding liabilities.

Individuals are therefore requested to bring in all outstanding Returns and pay all outstanding sums.

Where these payments cannot be made, a Garnishee Order will be issued to deduct such sums prior to the payment of any sums due to the individual.

Provided that Income Tax Returns are filed and all liabilities are cleared, the Inland Revenue Department will issue an Income Tax Clearance authorizing payment and indicating how much tax is to be withheld in accordance with the P.A.Y.E. Regulations.



INTRODUCTION

The Pay-As-You-Earn System popularly referred to as P.A.Y.E. was introduced in St. Lucia in 1965. The legislation dealing with its operation is contained in the Fourth Schedule of the Income Tax Act No. 1 of 1989, as well as sections 65, 67-78 and 123-135.

P.A.Y.E. is not a method of assessment of income tax, but merely a system of withholding tax from emoluments as they are paid. Therefore, although tax has been deducted by way of P.A.Y.E. from emoluments, an employee **MUST** nevertheless, file an Income Tax Return.

DEFINITIONS

“Employer” is defined in the legislation as a person who pays remuneration to an employee and includes -

- a) the Government of St. Lucia;
- b) a representative employer; and
- c) the trustee of any pension fund

“Employee” means any person who, in respect of employment, receives remuneration from an employer, and includes any person to whom remuneration accrues -

- a) as a director of a company;
- b) from a former employer or trustee of a pension fund, as a consequence of a former employment; or
- c) as a dependent of a deceased person where such remuneration accrued to that dependent as a consequence of the former employment of the deceased.

“Emoluments” means all salary, wages, bonus, overtime, perquisites including house allowance and entertainment, commission or other amounts for services, director’s fees, pensions arising or accruing in or derived from or received in St. Lucia and which is liable to income tax.

This shall not include salary or share of profits arising from a trade, profession or vocation carried on by any person either by himself or in partnership with another person.

“Chargeable Income” for the purposes of Income Tax, means the aggregate amount of income of any person from the sources specified in Section 32 remaining after allowing the appropriate deductions and allowances under Part VI of the Income Tax Act No. 1 of 1989.

SEVERANCE PAYMENTS

Severance payments may take the form of :


- * Marriage Gratuity
- * Contract Gratuity
- * Compulsory Retirement
- * Retirement due to ill health / medical grounds

Contract Gratuity arises where a person was employed on contract for a specific period.

Where this employment is terminated in accordance with the terms and conditions provided in the contract, a gratuity may arise. This payment must be provided for in the contract.

- Payments of these sums can only be made by the Accountant General after approval has been received from the Inland Revenue Department.

Where an individual is due to receive payment in respect of compulsory retirement, early retirement or seeks permission for medical reasons approval in respect of payment benefits must be granted by the Inland Revenue Department.



Upon request, all records relating to the payment of emoluments and taxes deducted must be made available for inspection by the Department.

Where it becomes necessary to collect arrears of taxes from employees in cases such as :

- a) where P.A.Y.E. deductions have been insufficient;
- b) where a " garnishee" order is served on the employer

Section 115(1) of the Income tax Act No. 1 of 1989 enables the Department to instruct the employer to deduct such arrears from the pay in addition to any P.A.Y.E. that is due.

Arrears of tax deducted must be kept separate from P.A.Y.E. deductions and must be separately remitted to the Department.



"Representative Employer" means -

- A) in the case of a company, the principle officer or, where such company is in liquidation, the liquidator;
- B) in the case of a partnership, the precedent partner;
- C) where the employer is the Government, a local authority, a corporation or other authority established by statute or a body corporate or un-incorporate (not being a company or partnership), the person responsible for paying remuneration on behalf of such employer;
- D) in the case of a non - resident employer, the agent having responsibility to pay remuneration on behalf of such employer.

TAX CODE

Every employee from whose emolument tax is deductible, is required to furnish his employer with a Tax Code. The employer shall record and utilize that number in determining the amount of tax to be deducted in accordance with the Tax Deduction Tables. The Tax Code is dependant on the declaration made by the employee on the Tax Declaration Form (TD-AU1).

ANY PERSON WHO MAKES A FALSE DECLARATION IS GUILTY OF AN OFFENSE AND IS LIABLE ON SUMMARY CONVICTION TO A FINE OR IMPRISONMENT.

DECLARATION OF DEDUCTIONS AND ALLOWANCES

Tax Declaration Form (TD Form AU - 1)

A **TD Form Au-1 (Code Form)** is the prescribed form on which claims are declared. It was designed solely for the purpose of making the appropriate deduction of tax from salary or wages. After the Declaration is made the employee will be issued with a Tax Code Number.

Since this information is necessary for the correct amount of tax to be deducted, each employee, on taking up employment, is required by Law to file a declaration of his deductions and allowances with the Department -

- a) within fourteen (14) days from the commencement of employment;
- b) within seven (7) days, if there is a change in tax deductions/allowances;
- c) when required to do so by the Inland Revenue Department.

Where an employee has more than one place of employment or is in receipt of both pension and salary or wages, details of each source of income must be stated separately on the same form.

In such cases, a Code Number, must be submitted to each employer by the employee.

PAYMENT AND ACCOUNTING FOR TAX

All taxes deducted must be paid by the employer to the Inland Revenue Department on or before the stipulated date, i.e. fifteenth (15th) day of the month following the month in which the deductions were made.

Where a person ceases to carry on business, the tax must be paid within fifteen (15) days on which the last payment of emoluments was made.

The prescribed form which must accompany each payment is :

The P30 / P.A.Y.E. Monthly Remittance Form.
This Remittance is posted to all registered employers by the Inland Revenue Department.

ACCOUNTING FOR TAX DEDUCTED & KEEPING RECORDS

When an employer makes any payment of emoluments to an employee from which tax is deducted as required by the Regulations, he shall furnish to the employee particulars of the payment including particulars of the gross emoluments for the pay period and the amount of tax deducted, in such form as may be approved by the Inland Revenue Department.

A record of all payments of emoluments and taxes deducted from employees must be kept to the satisfaction of the Department. All such records must be kept on the premises of the employer.

COMPLETION OF THE TD 5 CERTIFICATE

All T.D. 5 Certificates must bear the official name, address and Tax Account Number of the employer. A rubber stamp may be used to affix this information. The certificate should also bear the Tax Account Number, full address and name of the employee, and the year to which the information pertains.

Where applicable, information requested on the T.D.5 Certificate with respect to the following must be supplied :

1. Code Number used for tax deductions
2. Date employment commenced if later than 1st January of the income year
3. Remuneration before deductions
4. Other taxable allowances and benefits
5. Approved Pension Fund Plan
6. National Insurance deducted
7. Income Tax deducted

Deduction of tax made under any other order (e.g. contracts) must not be included on the T. D. 5 Certificate, but must be shown on a separate Form WT- 1A Certificate.

Where an employee fails to submit a tax code number, the employer must deduct taxes using the basic tax code— 164. This means that the tax deducted will be in excess of the amount which would normally have been deducted if a declaration had been filed. **The Department, however, does not encourage this practice.**

DEDUCTIONS AND ALLOWANCES

In arriving at the chargeable income which would be subject to tax, a resident individual is entitled to the following allowances and deductions.

1. **Personal Allowance**
A personal allowance of sixteen thousand dollars (\$16,000.00).
2. **Spouse Allowance**
Spouse allowance not exceeding one thousand five hundred dollars (\$1500.00). Where spouse has been unemployed for the year.
3. **Child Allowance**
Child includes a stepchild, a child born out of wedlock or a legally adopted child.

- child who is less than 10 years
The allowance is one thousand dollars (\$1,000) per child.
- child who has attained the age of 10 years and over and was a student either in St. Lucia or elsewhere
The allowance is two thousand dollars (\$2,000) per child.
- child with permanent disabilities irrespective of age
The allowance is one thousand dollars (\$1,000) per child.

4. Higher Education Allowance

This allowance is for a child/relative maintained by you attending University or an equivalent educational institution whether in St. Lucia or elsewhere.

The allowance is five thousand dollars (\$5000.00).

5. Dependent Relative Allowance

The allowance is three hundred and fifty dollars (\$350.00) per relative.

N.B. These allowances may be apportioned where two or more individuals contribute towards the maintenance of the child or relative.

6. Housekeeper Allowance

An allowance of two hundred dollars (\$200.00) is granted to a resident individual who is a widow/widower or is unmarried, divorced or separated, in respect of relative maintained by you for the purpose of caring for your children.

2. Total emoluments shown must agree with the records of the business and with the total of the T.D. 5 Certificates attached to the Annual Remittance Form.

Every employer is under obligation to deduct tax, where applicable under the following circumstances :-

a) Change of Employment

If an employee changes his job, the deduction of tax by the former employer will cease. The employee will have tax deducted by the new employer on the basis of a new Code Number.

b) Death of the Employee

Where an employee dies and emoluments are due to him after his death, deductions are to continue as if he were alive.

c) Death of an Employer

If an employer dies, but his business continues, his personal representative must continue to make P. A. Y. E. deductions.

d) Change of Ownership

If a business changes hands, the new employer is responsible for the P.A.Y.E. deductions.

e) Cessation of Business

If an employer ceases to carry on a business, he must, within one month after cessation, issue T.D. 5 Certificates to the Department and to all employees from whose emoluments any tax was deducted.

Where a business ceases operations, P.A.Y.E. deductions which had not yet been remitted to the Inland Revenue Department must be paid to the Department within fifteen days (15) after the date of cessation of the business.

An employer who remits the amount deducted from his employees, after the statutory date will be liable to a penalty of ten percent (10 %). He will also pay interest on the total of the amount deducted at a rate of 1% per month from the date on which it was due to the date of payment.

ISSUANCE OF TD 5 CERTIFICATES

At the end of the year during which tax was deducted, but no later than the last day of January of the following year, the employer must :

- (i) issue the original and one copy of the T.D.5 Certificate to each employee showing total emoluments paid during the year and the total tax deducted;
- (ii) forward to the Inland Revenue Department one copy (triplicate) of the T.D.5 Certificate of each employee and an Annual P.A.Y.E. Remittance Form showing the total emolument paid and the total tax deducted during the year. Forms prescribed for this purpose will be posted to all employers whose businesses are registered with the Inland Revenue Department.
- (iii) place within his records a copy of the T. D. 5 Certificate (quadruplicate) of each employee and a copy of the Annual P.A.Y.E. Remittance.

Employers must note the following :

1. Total taxes shown on the T.D.5 Certificates as deductions from all employees must agree with the total P.A.Y.E. remitted to the Inland Revenue for the income year.

7. Life Insurance

Contributions to a life insurance plan on one's life or his/her spouse or children. Deduction allowed is restricted to the lower of:

- a) one tenth of his/her assessable income or
- b) eight thousand dollars (\$8,000) or
- c) what you pay.

8. Interest Payments

- a) Interest paid on a mortgage or loan in respect of an owner occupied dwelling house.

Maximum deduction is fifteen thousand dollars (\$15000.00).

This deduction may be apportioned where two or more persons are entitled to claim.

- b) Interest on money borrowed to finance his/her higher education.

Maximum deduction is three thousand dollars (\$3000.00)

9. Co operative Society Payments

Purchase of shares in any society under the Cooperative Societies Act No. 11 of 1999 is allowable.

The deduction allowed is limited to a maximum of Five thousand dollars (\$5,000).

10. Alimony, Maintenance or Separation Allowance

Alimony, maintenance/separation allowance to a former spouse under a Deed of Separation or Court Order.

This deduction shall not be allowed unless the former spouse in receipt of such maintenance/alimony is chargeable to tax under the Income Tax Act.

11. Medical

Medical expense of a minimum of four hundred dollars (\$400.00).

GUIDELINES TO BE FOLLOWED WHEN SUBMITTING A TD FORM AU-1 FOR APPROVAL.

The following documents are required in respect of the under mentioned claims :

1. Mortgage Interest statement payable for the relevant income year.
2. Alimony/Maintenance Payments:
Copy of Court Order or Deed of Separation
This deduction is granted only to a former spouse. It does not refer to nor include common law relationships.
3. Higher Education Allowance:
Letter from university verifying attendance of individual.

- a) Multiply pay by number of pay periods in a year i.e. $\$7000.00 \times 12 = \$84,000$. In the case of monthly paid employees multiply by 12 pay periods. In the case of fortnightly paid employees multiply by 26 pay periods. In the case of weekly paid employees multiply by 52 pay periods
- b) Deduct allowances according to the employee's Code number
 $320 \times 100 = 32,000$
 $84,000 - 3,000$ (NIC for the year) = 81,000
 $84,000 - 32,000 = 49,000$ (chargeable income)
- c) Look down the annual table and use the nearest amount in column 1 i.e. \$49,000
- d) Follow across to column 2 " Tax for Year" for the amount to be deducted yearly - (\$10,200). The next column gives the amount to be deducted monthly.
Deduct Monthly - \$850

RESPONSIBILITIES OF AN EMPLOYER

Where persons other than the owner are employed in the business, the owner (Employer) has the responsibility of administering the P.A.Y.E. System of tax deduction in respect of the employees, and shall deduct P.A.Y. E. from his employees.

The total amount deducted from the emoluments of employees must be remitted to the Inland Revenue Department by the fifteenth (15th) day of the following month in which the deductions were made.

USE OF TAX DEDUCTION TABLES

The Table is designed to show the tax to be deducted from employees' emoluments. The Tables are divided into columns showing amounts of pay and the amount of tax to be deducted by reference to Code Numbers each number consisting of a number and a letter.

Example :

1.	Monthly Salary	\$ 1500.00
	Employee's contribution to N.I.S.	\$ <u>75.00</u>
		\$ <u>1425.00</u>

Code Number 164M

1. Refer to "Monthly Tax Deduction"
2. Look down the left hand "Monthly Pay" column for \$1,425 or next higher amount.
3. Follow this line across to Code 164M. The tax to be deducted that month is where these two columns intersect.

If the Monthly, Fortnightly and Weekly pay of an employee exceeds \$8015, \$4000 and \$2005 respectively deduct thirty cents (30c) from every dollar in excess of these amounts calculated on \$8015, \$4005 and \$2005.

Where the Code Number exceeds that shown on the tables use the annual tables.

Example : Code Number 320M - Monthly Pay \$7000.00

4. Cooperative Society
Statement of shares purchased for the relevant income year.

Where the taxpayer has income from two or more sources, it is advisable that the person come to the Department, in order for guidance to be given to the respective employers, informing them of the amount of P.A.Y.E. to be deducted.

An individual in receipt of a pension should file a declaration with the person paying the pension. If however, he also receives income from employment, ONE Declaration should be filed with employer or the person paying the pension.

Where there is doubt concerning any claim or the procedure to be followed, please **CALL** and **CLARIFY** before visiting, the Taxpayer Assistance Unit.

The Supervisor Taxpayer Assistance Unit Castries 468-4735/4730	The Supervisor Vieux Fort Tax Service Centre Vieux Fort Tel. No. - 454-6014
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E-mail: ird_assistance@candw.lc
E-mail: ird_vft@candw.lc

Alternatively call:

The Taxpayer Relations Unit
Castries - 468-4781/4765

E-mail: ird_relations@candw.lc

HOW TO COMPUTE P.A.Y.E.

Under the Income Tax (Employment) Rules every employer shall deduct tax on the payment of emoluments to any employee. Taxable emoluments are those arising or accruing in or derived from or received in St. Lucia. Deductions from salary or wages are required to be made in accordance with the Income Tax Deduction Tables prepared by the Inland Revenue Department.

The Inland Revenue Department has the authority to adjust the tax deductions of any employee. The Department will determine the amount to be deducted in the following cases :

- a) where payment is made at other than regular weekly, fortnightly, monthly or annual intervals; (eg. Persons paid on a commission basis only)
- b) in the case of casual or seasonal workers
- c) where the Department decides that the nature of the emolument is such that it makes the application of the Tax Deduction Tables impracticable;
- d) in the case of an employee with more than one employment

;

In all cases the employer will use the tax Code Number issued by the Department and refer to the Tax Deduction Tables to determine the amount of tax to be deducted at each pay period.

Where a taxpayer works for short periods and will have overpaid or will not be taxable because of the quantum of income, the approval of the Inland Revenue Department must be sought . The employer will thus be guided as to the taxes to be deducted.

EMPLOYERS MUST NOT ACCEPT VERBAL INSTRUCTIONS FROM EMPLOYEES TO DEDUCT LESS TAXES THAN THE TAXES CALCULATED AS PER THE TAX DEDUCTION TABLES