

Tax Education Construction Industry

EMPLOYER vs. EMPLOYEE

An **employer** is a person who engages/hires persons and pays salary, wages, overtime, bonuses etc in respect of such work. An employer is responsible for:

- Deducting and paying in taxes to the treasury department on their employees behalf
- Submitting to the Inland Revenue an (IRD5) or Annual Employment Certificate at the end of the year with the names of **all** employees for the year with total wages, salary paid and the total amount of tax deducted

An **employee** is a person who receives emoluments such as salaries and wages and bonus.

Pay slips

As an employee it is very important to keep all pay slips in order to file your annual income tax return and also to be able to provide proof to the Inland Revenue of the amount of tax deductions made from your wages or other emoluments. This is particularly important in the event of a dispute of an assessment. Where tax deductions have been made and not paid into the Treasury the Inland Revenue Department may hold the **employer** or the **employee** accountable for the tax.

Resident vs. Non-Resident

A person is regarded a resident for tax purposes if he/she:

- is physically present in Montserrat for a period exceeding 183 days in any income year
- has a permanent place of abode in Montserrat and is present in Montserrat for any time in an income year
- came to Montserrat with the intention of establishing residence

A tax resident is entitled to a personal allowance of \$15,000 and mortgage interest relief up to \$8,000.

A Non-resident is a person that is:

- not physically present in Montserrat for a period of 183 days in any income year
- only present in Montserrat for a temporary purpose

If you are a non-resident you are still liable to file a tax return unless you have had Withholding Tax deducted from all your income derived in Montserrat.

Work Permit

You may require a Work Permit if you are a non- Montserratian. Work Permits are issued by the Labour Department however the Labour Commissioner must first be

satisfied that you do not owe any taxes or that satisfactory arrangements has been made to settle outstanding taxes before issuing you with an annual work permit.

Paying Taxes

A resident taxpayer is generally liable to pay tax if he earns more than \$15,000 annually, which equates to \$1,250 per month or \$290 per week. An employee should contact the Inland Revenue if he believes that his employer is taking out too much tax or not taking out enough taxes.

To avoid a high tax bill at the end of the year self employed person can make arrangements to pay in taxes on income earned during the basic year. A pay-as-you-earn (PAYE) scheme will reduce the amount of tax that may be payable once an assessment is raised.

Government Contracts

Where the Accountant General makes any payment to any contractor on behalf of the Government of Montserrat a deduction of 10% is usually withheld as provisional tax. This however does not mean that this amount is the final tax liability on that income. The annual tax liability of any person can only be determined once Income Returns are filed. Self-employed taxpayers will normally be required to provide the IRD with a breakdown of income and expenses for the year.

Expenses that can be claimed include the cost of materials for the job, wages paid, cost of work related transportation, and wear and tear on machinery – note that the provisional tax paid is **not** an expense but this amount will be used to offset your final tax liability.

Remember: Keep all required documents to support your income earnings and expenses

Income Tax Return

All employees are required to submit Income Tax Returns by 31 January. All other taxpayers with chargeable income are required to submit true and correct Income Tax Returns on or before the 31st of March in each year of the whole of his income from every source for example rental income. **NB: It is an offence to file a false return. You could be liable for three times the tax you tried to evade.**

Estimated Assessments

The law authorizes the Comptroller to make estimated assessments on any person who is deemed to have a chargeable income and where such person has failed to submit an Income Tax Return, or where the Comptroller does not accept a return.

Disputing an Assessment

Any disagreement to an assessment issued by the Inland Revenue must be expressed in writing to the Comptroller by the due date of the assessment, **stating the grounds for the dispute**. A disagreement cannot be accepted unless it is accompanied with a **return** in respect of the relevant income year.

Penalties and Interest

The income tax ordinance imposes a penalty of 5% of tax not paid by the due date and an additional 12% per annum on any unpaid balance.

Note: This information is to be used as a guide only. Determination will be made by IRD on the facts of any case.