

together with total payment due within twenty-one (21) days of the end of each month for which the tax is due.

The submission date of an annual payroll tax return is the 30th of the fourth month of the following year. Every taxpayer or his representative shall, no later than the end of the fourth (4th) month in each financial year, deliver to the Commissioner a return in the form approved by the Commissioner reporting the amount of tax due for the previous financial year and such other information as may be required on the return.) (Section 17(1) of the Miscellaneous Amendments (SIGTAS) Act, 2005). All forms are available at the Inland Revenue Department.

9. WHAT CAN YOU TELL ME ABOUT PENALTIES AND INTEREST?

a. Penalties

Any person required to file a return who fails to do so on or before the date it is due is liable to a penalty equal to fifty dollars or five percent of the tax payable, whichever is greater, and a further one percent of the amount of tax payable for each month or part of a month during which failure to file continues. (Section 17(M) of the Miscellaneous Amendments (SIGTAS) Act, 2005).

b. Interest

If any amount in respect of tax is not paid by the due date, interest on the amount owing shall be charged commencing from the due date to the date the amount is paid. The rate of interest charged under this subsection shall be four percent per annum. (Section 17D of the Miscellaneous Amendments (SIGTAS) Act, 2005).

NOTICE OF OBJECTION

If any person disputes an assessment or re-assessment of tax under this Act, he may file with the Commissioner a notice of objection letter within thirty days from the date of service of the notice of assessment or re-assessment requesting a review and revision of the assessment or re-assessment. (Section 17E (1) of the Miscellaneous Amendments (SIGTAS) Act, 2005).

NOTE

The information contained in this publication is only a guide for the taxpayer and not a comprehensive statement of the legislative requirements. The legislative requirements are contained in the Payroll Taxes Act, located at www.finance.gov.vg/pages.php?action=menu&id=4

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District Office (Officers will be available to assist you on the **third Wednesday** of each month)
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District Office (Officers will be available to assist you on the **third Friday** of each month)
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*Designed by the Taxpayer Services Unit of the Inland Revenue Department
Revised June 2012*



Know Your Taxes...



Your Guide To Payroll Tax

Prepared by:
The Inland Revenue Department
Ministry of Finance
Government of the Virgin Islands

The Commissioner of Inland Revenue is responsible to the Government of the Virgin Islands for the collection of tax. (Section 15 of the Payroll Tax Act, 2004). The Inland Revenue Department, headed by the Commissioner, is staffed with various units (Administration, Assessment, Collection, Taxpayer Services, Valuation and Audit).

To assist you, our taxpayers, in becoming and remaining in compliance with the Payroll Taxes Act, 2004 and its various amendments, we have carefully prepared this guide for you.

If after reviewing this guide, you find that there are still areas that you do not quite understand, we encourage you to contact us at any of the locations listed at the back of this guide and we will promptly respond to your enquiry or enquiries.

1. WHICH TAX IS THIS?

This is Payroll Tax. Payroll Tax is charged on actual remuneration paid, given or assessed by any employer or self-employed person, to every employee and deemed employee, plus any benefits derived by the employee, deemed employee or self-employed person as a result of his/her employment, whether paid in cash or kind.

2. CAN YOU TELL ME ABOUT THE GOVERNING LEGISLATION, ITS PURPOSE AND ITS IMPLEMENTATION DATE? ARE THERE ANY AMENDMENTS?

a. The Payroll Taxes Act, 2004

- (i) To charge a tax on employers including self-employed persons in respect of their total payroll package.
- (ii) This Act was implemented on 1st January, 2005.

b. The Payroll Tax (Amendment) Act, 2005

- (i) To make special provisions for employees who have more than one employer.
- (ii) This amendment was implemented on 1st January, 2005.

c. The Miscellaneous Amendments (SIGTAS) Act, 2005

- (i) To amend various legislations in order to facilitate the tax computerized system (SIGTAS).
- (ii) This amendment was implemented on 1st January, 2006.

d. The Payroll Taxes (Amendment of Schedule) Order, 2006

- (i) To amend the Payroll Taxes Act to increase the payroll tax exemption from \$ 7,500.00 to \$ 10, 000.00.
- (ii) This amendment was implemented on 1st January, 2007.

e. The Payroll Taxes (Amendment) Act, 2007

- (i) To increase the period from fifteen (15) days to twenty-one (21) days within which a taxpayer is obligated to file his or her monthly payroll tax return and pay his or her tax.
- (ii) This amendment was implemented on 1st January, 2007.

3. WHAT IS THE PAYROLL TAX BASE?

- i. The tax base for an employee of a single employer for the financial year is calculated by subtracting the annual payroll tax exemption from the total remuneration.
- ii. The tax base for an individual who becomes the employee of more than one employer for the financial year is the gross remuneration paid to him by the secondary and any subsequent employer. i.e. The exemption would not be applied in this case.

4. AS AN EMPLOYER OR A SELF-EMPLOYED PERSON, HOW DO I REGISTER FOR PAYROLL TAXES?

Every taxpayer shall, within thirty (30) days of the first date after the commencement of the Miscellaneous Amendments (SIGTAS) Act, 2005 on which he becomes liable for the payment of tax, register with the Commissioner and provide such information to the Commissioner as may be required to give effect

to such registration.

The Commissioner may issue and require the completion of such forms, notices, declarations, statements, tables and other documents as are required for the administration of this Act. (Section 6(3A) (4) of the Miscellaneous Amendments (SIGTAS) Act, 2005)

5. WHAT IS REMUNERATION?

Remuneration is defined as the payment of any kind paid to an employee for services rendered to his or her employer. The deemed remuneration of an employee represents the fair and equitable valuation of his or her services to the business.

6. WHAT ARE THE TAX RATES?

- a. The Class 1 employer and the class 1 self-employed person pay at a rate of 10% of the tax base.
- b. The Class 2 employer and the class 2 self-employed person pay at a rate of 14% of the tax base.

7. HOW MUCH REMUNERATION SHOULD AN EMPLOYEE WHO HAS ONLY ONE EMPLOYER EARN WITHIN A FINANCIAL YEAR BEFORE HE/SHE IS LIABLE TO PAY TAXES (PREVIOUS YEARS AND AS OF JANUARY 2007)?

- a. Financial year, 2005 - \$ 7,500.00
- b. Financial year, 2006 - \$ 7,500.00
- c. Financial year, 2007 - \$10,000.00

8. WHAT ABOUT SUBMISSIONS OF RETURNS AND PAYMENT OF TAX DUE?

Prior to 1st January 2007, the monthly returns for payroll tax in respect of employers and self-employed persons, were to be submitted together with full payment within fifteen (15) days of the end of each month which tax was due.

With effect from 1st January, 2007, the monthly returns, for payroll tax, in respect of employers and self-employed persons are to be submitted