



## St. Christopher (St. Kitts) & Nevis Inland Revenue Department

# Tax Advisory

**BASSETERRE, ST. KITTS, May 07, 2021 (Inland Revenue Department)** – The St. Kitts and Nevis Inland Revenue Department (SKNIRD) wishes to advise that during the Prime Minister's 2019 Budget Address, a declaration was made regarding an increase of the remuneration allowance as a deduction as per Section 12(l) of the Income Tax Act Cap.20.22 (Revised Edition - December 31, 2017). This Budget sought to assist corporations in St. Kitts and Nevis to attract and retain talented, qualified managers and other exceptional professionals in their organizations.

The 2019 Budget Address announced the Government's intent to increase the remuneration allowance from \$90,000 to \$120,000 in calculating corporate income taxes due on their Corporate Income Tax (CIT) Return filings effective from January 1, 2019.

This advisory notice seeks to provide guidance on the changes and the application of the new allowance.

The increase to \$120,000 in the remuneration allowance for tax purposes as stated above is effective as of January 1, 2019. For entities with a year-end other than December 31, the total excess remuneration would be pro-rated based on the number of months within the company's financial year that qualifies for the increase.

### Tax Calculation Examples:

Company ABC has a financial year-end of **December 31, 2019**. Total remuneration for a particular employee is \$150,000.00. The excess remuneration would be calculated as follows:

#### BASIC CALCULATION

$$(\$150,000.00 - \$120,000.00) = \$ 30,000.00 \text{ (non-deductible Excess Remuneration)}$$

Company XYZ has a financial year end of **September 30, 2019**. Total remuneration for a particular employee is \$150,000.00. The excess remuneration would be calculated as follows:

#### PRO-RATED CALCULATION

$$(9/12 \times \$120,000.00) = \$ 90,000.00$$

$$(3/12 \times \$90,000.00) = \$ 22,500.00$$

$$\text{Total Remuneration Allowed} \quad \$ 112,500.00 \text{ (Allowance limited due to being pro-rated)}$$

$$(\$150,000.00 - \$112,500.00) = \$ 37,500.00 \text{ (non-deductible Excess Remuneration)}$$

*The Inland Revenue Department is charged with administering the tax laws of the Federation in an efficient and equitable manner, to promote voluntary compliance to maximize Revenue for the development of the Federation at the least cost to the public and in a manner that warrants the highest degree of Public confidence in our integrity, efficiency and fairness. The Inland Revenue Department is the prime revenue collections agency for the Government of St. Kitts and Nevis within the Ministry of Finance, located at Bay Road, Basseterre, St. Kitts and Charlestown, St. Kitts and Nevis, West Indies.*



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In accordance with Section 10 of the Tax Administration and Procedures Act (TAPA) Ch 20.52 (Revised Edition – December 31, 2017), the Comptroller requires businesses to attach a schedule to their Corporate Income Tax (CIT) Return, listing the employees on their payroll that receive Remuneration in Excess of the Allowable Deduction for each financial year.

If you have already submitted your Corporate Income Tax filing(s) for the year(s) covering this period. In that case, you will be required to file an amended return with the attached schedule inclusive of the calculations for Remuneration in Excess of the Allowable Deduction at \$120,000 per applicable employee.

Please feel free to contact the Department at (869) 465-8485 or visit our website at [www.skniird.com](http://www.skniird.com) if you have any questions or need further clarification.

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