



## Taxation and You

It's tax season once again and we are faced with the usual headache of gathering documents and trying to remember expenses. This week, instead of the usual article aimed at assisting you with the preparation of your tax returns, we offer some useful tips on taxes.

### **What are taxes?**

For those of you who always wanted to know but were afraid to ask, we will first define a tax. According to Wikipedia the free encyclopedia, to tax is "to impose a financial charge or other levy upon an individual or legal entity by a state or its functional equivalent. Taxes can either be direct that is paid directly to the state example income tax or indirect tax as in the case of Value Added Tax (VAT).

### **The role of taxation**

The monies we pay as taxes finance many government projects which we all benefit from. Taxes fund road construction, paying civil servants and building community centres which are vital for social development.

### **How are we taxed?**

For most of us, taxes are taken off weekly, fortnightly or monthly before we get our salaries/wages. However, the amount one pays varies, depending on income as well as the allowable deductions that one has. These deductions vary from insurance premiums paid to interest on mortgages. Thus, two people earning the same salary may not necessarily pay the same amount of tax.

### **What are the different categories of taxpayers?**

There are four main categories:

- Individual
- Business
- Practitioner- professionals e.g. lawyers, doctors
- Property

### **What can I do to lower the amount I pay in taxes monthly?**

There are a number of ways that one can reduce the amount of tax that is paid. It is always a good idea to first check your tax code. The code is given to an individual when they start their first job. But as we grow older, our lifestyles change and so too our tax requirements. You may have children, acquire insurance or a mortgage, all these factors would affect your tax code.

One increasingly popular way to lower your tax is to open an Individual Registered Retirement Savings Plan, for example, the Bank of Saint Lucia's **Registered Retirement**

**Investment Account (RRIA).** This account offers you a tax deduction of up to \$8,000.00 while offering you the safety of saving for your retirement. Another way is to have a registered Home Ownership Plan (\$6,000.00). This plan helps people to save towards their mortgage while providing much needed tax relief. The Inland Revenue Department provides information on all the available deductions and how you qualify for them.