

**OFFICE OF THE PRESIDENT**  
**PUBLIC SERVICE MINISTRY**

**CIRCULAR NO 7/1994**

**REFERENCE NO. PS: 18/V**

FROM: Permanent Secretary,  
Public Service Ministry

TO: All Permanent Secretaries,  
Heads of Departments and  
Regional Executive officers,  
Chief Statistician, Bureau of  
Statistics and Heads of Public Service  
Related Agencies.

**SUBJECT:**

Mechanism for ensuring no loss of take home pay  
when 20% salary advance is included in gross salary.

DATE: 1994-06-09

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An undertaking was given that no one will lose take home pay as a consequence of the twenty percent (20%) salary/wage advance which was paid to workers from 1993-07-01 being included in gross salary. In order to achieve this objective, I have to advise that the following sequential steps should be taken based on the principle that the net increase to the salary at 1994-04-30 should at least be equal to the twenty percent (20%) increase on salary/wage at 1992-12-31:-

- (i) The twenty percent (20%) advance should be added to the gross salary at April 30, 1994, in keeping with PSM Circular No. 4 of 1994 dated May 5, 1994;
- (ii) A computation should be made using the revised salary at (i) above to determine the salary at which no loss in take-home pay would occur. ("Break-even" salary);
- (iii) The computed salary at (ii) above should be used to determine the employee's new gross salary.

2. Computation of Break-Even Salary

The following computations should be done to ensure no loss in take home pay.

- (i) For salaries below \$10,000.00 at 1994-04-30
  - (a) If the twenty percent (20%) increase when added to the salary is less than or equal to \$10,000.00 no adjustment is required.

- (b) If the twenty percent (20%) increase when added to the salary is above \$10,000.00, deduct \$10,000.00 (free-tax threshold) and compute the difference to avoid loss in take-home pay. The difference must be multiplied by a factor of 1.5. the computed difference must then be added back to the \$10,000.00 base to arrive at the “break-even” salary.

(ii) For salaries above \$10,000.00 as at 1994-04-30

The entire twenty percent (20%) increase must be multiplied by a factor of 1.5. The computed amount must be added to the salary at 94-04-30 to arrive at the “breakeven” salary.

3. Employee’s New Gross Salary

- (i) If the computed “breakeven” salary is below the minimum of the new scale on which the post is graded, the salary to be paid to that employee on conversion to the new scale be the authorized commencing salary of that new scale.
- (ii) If the computed “breakeven” salary is equal to or greater than the minimum of the new scale on which the post is graded, the salary to be paid to that employee on conversion to the new scale shall be the same computed “breakeven” salary.

4. Adjusted Salaries for “Red-circles” jobs

The procedure outlines at paragraph 2 above applies to “red-circles” jobs also.

5. In order to illustrate how the computations should be done I am attaching herewith some examples.
6. Please bring the contents of this circular to the attention of all the relevant personnel in your organizations.

R. Sivanand  
Permanent Secretary  
Office of the President  
Public Service Management

Calculation of New Gross salary to avoid loss in take-home pay.

Salaries of Jobs to be placed in Scales.

1. Salaries below \$10,000.00 (Free-pay threshold)

- (i) Chief Accountant – Salary at 30-04-94 \$8,216.00  
- Increase \$1,493.82

(a) Take-home pay at 30-04-94 (calculated with income tax deducted only)

Salary - \$8,216.00  
20% advance - \$1,493.82  
Take home pay - \$9,709.82

(b) Calculation of break-even salary as per circular instruction (gross salary at which there would be no loss in take-home pay).

Salary at 30-04-94 - \$8,216.00  
Add 20% increase - \$1,493.82  
Break-even salary - \$9,709.82  
(same as (a) above)

(c) Determination of employees new gross salary.

Scale GS:9 \$13,755.00 - \$21,741.00

Since the breakeven salary is below the minimum of the scale the new gross salary shall be \$13,755.00 (minimum of the scale).

(ii) Assistant Chief Social Assistance Worker

- salary at 30-04-94 - \$9,285.74  
- 20% increase - \$1,688.32

(a) Take-home pay at 30-04-94 (calculated with income tax deduction only)

Salary - \$9,285.74  
20% advance - \$1,688.32  
Take-home pay -\$10,974.06

(b) Calculation of breakeven salary as per circular instruction (gross salary at which there would be no loss in take-home pay)

Salary at 30-04-94 - \$9,285.74  
Add 20% increase - 1,688.32  
- 10,974.06  
Deduct free-pay threshold 10,000.00  
Difference to be adjusted 974.06  
Factor \* 1.5  
Add back free-pay threshold 10,000.00  
Breakeven salary 11,461.09

- (c) Verification of breakeven salary.
- |                               |             |
|-------------------------------|-------------|
| Breakeven salary              | 11,461.09   |
| Deduct free-pay threshold     | 10,000.00   |
| Taxable income                | 1,461.09    |
| Income Tax 33 1/3 %           | 487.03      |
| Net of tax difference         | 974.06      |
| Add back free-pay threshold   | 10,000.00   |
| Take-home pay as at (a) above | \$10,974.06 |
- (d) Determination of employee's new gross salary  
Scale GS:10 - \$16,898 – 28,163

Since the breakeven salary of \$11,461.07 at (b) above is below the minimum of the scale the new gross salary shall be \$16,898.00 (minimum of the scale).

2. Salaries above \$10,000.00 (free-pay threshold)

- (i) Principal Assistant Secretary:
- |                       |             |
|-----------------------|-------------|
| Salary as at 30-04-94 | \$10,667.00 |
| 20% as at 30-04-94    | 1,939.45    |
- (a) Take home pay as at 30-04-94 (calculated with income tax deduction only)
- |                             |             |
|-----------------------------|-------------|
| Salary at 30-04-94          | \$10,667.00 |
| Deduct free-pay threshold   | 10,000.00   |
| Taxable income              | 667.00      |
| Income Tax 33 1/3%          | 222.33      |
| Net of tax difference       | 444.67      |
| Add back free-pay threshold | 10,000.00   |
| Net Salary                  | 10,444.67   |
| Add 20% increase            | 1,939.45    |
| Take home pay               | 12,384.12   |
- (b) Calculation of breakeven salary as per circular instruction
- |                        |           |
|------------------------|-----------|
| 20% increase           | 1,939.45  |
| Factor                 | *1.5      |
| Adjusted difference    | 2,909.18  |
| Add salary at 30-04-94 | 10,667.80 |
| Breakeven salary       | 13,576.18 |
- (c) Verification of breakeven salary
- |                               |           |
|-------------------------------|-----------|
| Breakeven salary              | 13,576.18 |
| Deduct free-pay threshold     | 10,000.00 |
| Taxable income                | 3,576.18  |
| Income Tax 33 1/3%            | 1,192.06  |
| Add back free-pay threshold   | 10,000.00 |
| Take-home pay as at (a) above | 12,384.12 |

- (d) Determination of employees new gross salary  
 Scale GS: 11                \$21,556 – 35,927  
 Since the breakeven salary of \$13,576.18 at (b) above is below the minimum of scale, the new gross salary shall be \$21,556.00 (minimum of the scale).

- (ii) Staff Nurse Midwife  
 Salary as at 30-04-94                \$10,415.00  
 20% increase                                1,893.64

- (a) Take-home pay as at 30-04-94 (calculated with income tax deduction only)  
 Salary at 30-04-94                \$10,415.00  
 Deduct free-pay threshold        10,000.00  
 Taxable income                        415.00  
 Net of tax difference                176.67  
 Add back free-pay threshold    10,000.00  
 Net Salary                                10,276.67  
 Add 20% advance                    1,893.64  
 Take-home pay                        12,170.31

- (b) Calculation of breakeven salary as per circular instruction.  
 20% increase                                1,893.64  
 Factor                                        \*1.5  
 Adjusted difference                2,840.46  
 Add salary at 30-04-94                10,415.00  
 Breakeven salary                        13,255.46

- (c) Verification of breakeven salary  
 Breakeven salary                        13,255.46  
 Deduct free-pay threshold        10,000.00  
 Taxable income                        3,255.46  
 Income Tax 33 1/3%                1,085.15.  
 Add back free-pay threshold    10,000.00  
 Take-home pay as at (a) above 12,170.31

- (d) Determination of employee's new gross salary  
 Scale GS:7                                - \$9,623 – 14,435

Since the breakeven salary of \$13,255.46 is above the minimum of the scale the new gross salary shall be \$13,255.46. (the breakeven salary).

Calculation of New Gross Salary to avoid loss in take-home pay.

“Red Circled” Jobs.

1. Salaries below \$10,000.00 (Income tax free-pay threshold)

- (i) Accounts Clerk II – salary at 30-04-94 - \$7,202.34
  - 20% increase - \$1,309.52
  - (a) Take home pay at 30-04-94 (calculated with income tax deduction only)
    - Salary - \$7,202.34
    - 20% increase - 1,309.52
    - Take home pay - 8,511.86
  - (b) Calculation of salary as per circular instruction
    - Salary as at 30-04-94 - \$7,202.34
    - 20% increase - 1,309.52
    - New Gross salary - 8,511.86
    - from 1.5.94

\* No adjustment required – salary same as at (a) above

- (ii) Assistant Accountant
  - salary as at 30-04-94 - \$9,634.50
  - 20% increase 1,751.73
  - (a) Take home pay at 30-04-94 (calculated with income tax deduction only)
    - Salary - \$9,634.50
    - 20% advance - 1,751.73
    - Take home pay - 11,386.23
  - (b) Calculation of Gross salary as per Circular instruction.
    - Salary as at 30-04-94 - \$9,634.50
    - 20% increase 1,751.73
    - Deduct free-pay threshold 10,000.00
    - Difference to be adjusted 1,386.23
    - Factor 1.5
    - Add back free-pay threshold 10,000.00
    - New gross salary with effect from 1.5.94 12,079.35
  - (c) Verification of new gross salary
    - New gross salary (computed) as at 1.5.94 - \$12,079.35
    - Deduct free-pay threshold 10,000.00

Taxable difference	2,079.35
Income Tax 33 1/3%	693.12
Net of tax difference	1,386.23
Add back free-pay threshold	10,000.00
Take home pay as at (a) above	11,386.23

2. Salaries above \$10,000.00 (free-pay threshold)

Assistant Accountant General

- salary at 30-04-94 - \$27,870.00
- 20% increase - 5,067.27

(a) Take home pay as at 30-04-94 (calculated with income tax deduction only)

Salary as at 30-04-94	\$27,820.00
Deduct free-pay threshold	10,000.00
Taxable income	17,820.00
Income Tax 33 1/3%	5,956.33
Net of tax difference	11,913.33
Add back free-pay threshold	10,000.00
Net salary	21,913.33
Add 20% increase	5,067.27
Take home pay	26,980.60

(b) Calculation of gross salary as per circular instruction.

20% increase	5,067.27
Factor	1.5
Adjusted difference	7,600.91
Add salary as at 30-04-94	27,870.00
New gross salary w.e.f 1.5.94	35,470.91

(c) Verification of new gross salary

New gross salary computed as at 1.5.94	35,470.91
Deduct free-pay threshold	10,000.00
Taxable income	25,470.91
Income Tax 33 1/3%	8,490.31
Net of tax difference	16,980.60
Add back free-pay threshold	10,000.00
Take home pay as at (a) above	26,980.60

New gross salary as at 1.05.94