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Technical Paper: **Tax Treatment for Microcredit Institutions now  
regulated by the Bank of Jamaica**

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# TECHNICAL ADVISORY

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The following list of abbreviations, acronyms and terms are used throughout this Technical Advisory.

#### List of Abbreviations & Acronyms

|               |                                                                                             |
|---------------|---------------------------------------------------------------------------------------------|
| <b>BOJ</b>    | Bank of Jamaica                                                                             |
| <b>Ed Tax</b> | Education Tax                                                                               |
| <b>ETC</b>    | Employment Tax Credit                                                                       |
| <b>HEART</b>  | Human Employment and Resource Training                                                      |
| <b>IBFD</b>   | International Bureau of Fiscal Documentation                                                |
| <b>ITA</b>    | Income Tax Act of Jamaica                                                                   |
| <b>MCA</b>    | Microcredit Act                                                                             |
| <b>MCI</b>    | Microcredit Institution                                                                     |
| <b>MSME</b>   | Micro, Small, Medium Enterprise                                                             |
| <b>NHT</b>    | National Housing Trust                                                                      |
| <b>NIS</b>    | National Insurance Scheme                                                                   |
| <b>RAIS</b>   | Revenue Administration Information System                                                   |
| <b>TAJ</b>    | Tax Administration Jamaica, established by section 4 of The Tax Administration Jamaica Act. |
| <b>Y/A</b>    | Year of Assessment                                                                          |

#### Glossary of terms

|                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Assessment period</b> | This is defined as <i>“the period for which income or other taxable value is assessed. This is not necessarily the actual income of the period itself, but may, for example, be income earned during a prior period”</i> . Assessment Period also means the “year of assessment”, as defined in section 2(1) of the Income Tax Act, or the “permitted accounting period”, as defined in section 6(7) of that Act, whichever is applicable.<br><i>Source: IBFD International Tax Glossary</i> |
| <b>Regulated company</b> | This is a company that is regulated by any of the following:<br>i. the Financial Services Commission<br>ii. the Office of Utilities Regulation<br>iii. the Bank of Jamaica<br>iv. the Minister with responsibility for finance<br><i>Source: Section 2 The Income Tax Act</i>                                                                                                                                                                                                                |

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|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Supervisor</b>          | <p>“Supervisor” means the Governor of the Bank acting in the capacity as the Supervisor of banks, financial holding companies and other specified financial institutions under section 34B of the Bank of Jamaica Act;</p> <p><i>Source: Section 2 The Banking Services Act</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Unregulated company</b> | <p>A company that is not a regulated company as defined by section 2 of the Income Tax Act.</p> <p><i>Source: Section 2 The Income Tax Act</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Transitional Period</b> | <p>For the purpose of this Technical Advisory, TAJ will consider a transitional period as that period where the MCIs who were operating prior to July 30, 2021 have made licencing applications to the BOJ to regularize their affairs and when the licence is actually granted. This will include the 12 months up to July 30, 2022, as provided for in the MCA, and the licencing approval date. The CG has also used his discretionary powers to deem the MCI as an unregulated company once the entity has not been officially licenced by BOJ from the first day in a calendar month. For administrative purposes TAJ will not treat them as a regulated company until the first day of the next calendar month.</p> |

### Purpose of this Technical Advisory

The purpose of this Technical Advisory is to provide guidance to all stakeholders with respect to the income tax treatment of microcredit institutions now regulated by the Bank of Jamaica. Special attention will also be made to the application of the Employment Tax Credit in respect of microcredit institutions in accordance with the provisions of section 32A of the ITA.

### Objectives of this Technical Advisory

- To promote and achieve consistency in the application of our domestic tax law;
- To provide taxpayers with clarity and certainty regarding the income tax status of micro lending institutions now supervised by the Bank of Jamaica, specifically, the impact this has on their income tax liability. The Advisory seeks to examine the practical application of the Employment Tax Credit surrounding these entities prior to and after the change in their tax status.
- To provide expert guidance to the officers of TAJ on the interpretation of our tax laws thus helping them to make informed decisions when settling audit and compliance matters.

### Scope of this Technical Advisory

This Technical Advisory applies to all eligible bodies corporate that are engaged in a trade, business, profession or vocation or the rental of approved tourist accommodation and are entitled to claim ETC as a non-refundable tax credit in respect of the emoluments paid to their employees. The Advisory will provide an insight into the practical implications and details of

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the provisions relating to persons who are eligible to claim the benefit and will look at the Commissioner General's position where clarity is needed. In addition, readers will be further enlightened with a range of illustrations to clarify and explain how to claim ETC whenever there is a period of transition.

### **Legislative References**

- Income Tax Act
- The Microcredit Act
- The Microcredit Act, 2021 (Appointed Day) Notice
- Banking Services Act
- The Assets Tax (Specified Bodies) Act

### **Background**

A microcredit institution is a company that provides a credit facility service to MSMEs and individuals who otherwise would have no or limited access to financial services or are underserved by traditional providers. The microcredit loan does not require any asset as collateral and is usually granted for a short period only. Similar to traditional banking institutions, microcredit institutions charge interest on loans and institute specific repayment plans.

The Microcredit Act was passed in January 2021 with the aim of licensing and regulating microcredit institutions (MCIs) that provide financing to individuals as well as, micro, small and medium sized enterprises. The MCA became effective on July 30, 2021 and addressed development issues and is aimed at meeting international standards and best practices. The MCA which is intended to bring MCIs under the regulatory supervision of the BOJ will also seek to protect consumers by discouraging MCIs from lending money at excessive interest rates; promote greater transparency through the disclosure of lending rates and other term loan products, as well as minimize the possibility of the sector being used to facilitate money laundering/terrorism financing and other such related matters. The MCA, under the Third Schedule, provides exemptions to transactions, persons and entities who will not be regulated under this Act.

Section 2 of the MCA named the BOJ as regulatory authority, with section 4 providing instruction of the responsibility namely:

- (i) general administration of the MCA and
- (ii) supervision of microcredit institutions.

Section 9 of the MCA required that a MCI obtain a licence in order to provide microcredit service. All persons operating as a MCI at the commencement date or those operating as a MCI together with another type of business were given a 12-month period from the effective date of the Act to regulate their affairs with the BOJ. A transitional clause in section 64 of the MCA

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allowed for pre-existing operators in the sector to submit their applications to BOJ by July 30, 2022, or cease operations.

The microcredit licensing process spearheaded by the BOJ will be ongoing for new entrants to the market and any person wishing to enter the sector to start offering microcredit services for the first time should apply for licensing before they start operations.

The MCIs were described as microcredit lending agencies earning interest income and fees from its loans and credit transactions. Such institutions, by the nature of their business would be considered as carrying on a trade and would be eligible to claim ETC. With the passing of the MCA in 2021 this has now changed.

### **Issues**

1. Will MCIs no longer be entitled to access the ETC benefit with the passage of the MCA?
2. If ineligible to claim ETC, what is the date at which a MCI is no longer allowed to receive this benefit?
3. How will operators who have applied to the BOJ for a licence be treated in regards to their tax status as a regulated company?
4. What is the income tax rate applicable to MCIs now licenced and supervised by the BOJ?
5. How will the ETC claimable in the transitional period be computed?
6. Will MCIs now be liable to pay Assets Tax?

### **TAJ's Position**

Prior to the passing of the MCA on July 1, 2021, and which came into effect on July 30, 2021, MCIs were unregulated entities and were eligible to claim ETC benefit as provided for in section 32A of the ITA. Under the new legislation MCIs are now regulated entities under the supervision of the BOJ and in accordance with section 2 of the ITA are not eligible to claim ETC from the agreed licencing date.

With a MCI now formally licensed by the BOJ, falling under their supervision, and fitting the description of a regulated company as indicated in Section 2 of the ITA, these entities will now be taxed at the rate of 33 $\frac{1}{3}$ %. With effect from their date of licencing as instructed by the BOJ and as agreed by the CG, the tax status of a MCI was changed to a regulated company. As a result of this, for the transitional period from being an unregulated company to regulated company two (2) rates of corporate tax will apply to the income of the MCI. That is, 25%, in respect of profits earned while unregulated and 33 $\frac{1}{3}$ % on profits earned while regulated.

The CG has determined that for ease of administration the date for their change in status from unregulated company will vary depending on the approval date for the licence. Where the

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licence was approved for a date other than the 1<sup>st</sup> of the month the entity will continue to function as an unregulated company for the whole month. They will then transition over to a regulated company at the beginning of the following month.

For those MCIs who were operating prior to July 30, 2021, who made an application for licencing and was granted a licence by BOJ during the transitional period, the CG has taken the decision to allow the ETC to claim accordingly using the apportionment of applicable income covering the period from the commencement of the assessment period to the last day of the month in which the date of the MCI's licence was first granted. This is applicable where the licence is approved for a date other than the 1<sup>st</sup> day of the month. Hence, for tax purposes in order to benefit from the ETC the regulated status will take effect on the 1<sup>st</sup> day of the succeeding month. Otherwise, the effective period for the apportionment would end in the month prior to the date the licence is granted.

By law, MCIs are not deposit-taking institutions despite them being regulated by the BOJ. The Assets Tax regime specifically indicated that the specified regulated entities which are still required to file and pay Assets Tax are those deposit-taking institutions regulated by the BOJ and securities dealers and insurance companies regulated by the FSC. Therefore, a MCI will not be required to file and pay Assets Tax.

## **Analysis of the Issues**

### **Issue #1: Will MCIs no longer be entitled to access the ETC benefit with the passage of the MCA?**

Section 32A (2) of the ITA gives instructions that an eligible person, which excludes a regulated company, is entitled to claim the ETC. A regulated company under section 2 of the ITA includes those companies regulated by the BOJ. Prior to the passing of the MCA, microcredit lending agencies were described as unregulated companies earning interest income and fees from loans and credit transactions. Given the nature of their businesses it was determined that they were carrying on a trading activity and would be eligible to claim ETC.

The MCA, which came into effect July 30, 2021, resulted in the sector being regulated by the BOJ and their activities now under BOJ's supervision. Thus, each existing business which operated under the description of a MCI was required to make a formal application to the BOJ to have its operation regularized by July 30, 2022. In addition, new entrants must be issued with a license in order to start operating as a MCI. As a consequence, section 32A (2) identifies these institutions as being ineligible to make a claim for ETC on its income tax returns.

Once an existing operator has been granted a microcredit licence then there would be no entitlement to ETC from the date such licence was granted. However, for the purpose of the transition of a MCI to a regulated company and the rules for the claiming of ETC, where the licence is granted on a date other than the first of the month, for that month the MCI shall be treated as if the company was unregulated for the whole month. Therefore, if an entity was

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formally licenced on July 29, 2022 the date to be used by TAJ as becoming a regulated company will be August 1, 2022.

However, the MCA, under the Third Schedule, provides exemptions to transactions, persons and entities who will not be regulated under this Act. It should be noted that some persons listed in this schedule are regulated companies who are not entitled to ETC. Also note that, if an MCI is benefiting from an incentive under the Urban Renewal (Tax Relief) Act prior to the MCA and is now a licensed MCI then no ETC is claimable.

#### **Issue #2: If ineligible to claim ETC, what is the date at which a MCI is no longer allowed to receive this benefit?**

From the effective date of the MCA all MCIs are now under the supervision of the BOJ. As instructed in the legislation the MCIs were required to make an application to be formally licensed as such. The licencing approval removes the ETC entitlement, as provided for under Section 32A (2) of the ITA.

For the purposes of administering the ETC, for the transition to a regulated company where the licence is granted on a date other than the first of the month the MCI will continue to be regarded as an unregulated company until the first day in the next calendar month. The claiming of ETC for the month in which the licence was granted for a date other the 1<sup>st</sup> day it shall be treated as if the company was unregulated for the whole month.

#### **Issue #3: How will operators who have applied to the BOJ for a licence be treated in regards to their tax status as a regulated company?**

With the passing of the MCA in 2021 MCIs who were once unregulated became regulated upon acquiring their licence from the BOJ. Given the varying approved licence date TAJ would be challenged with redesigning RAIS to accommodate the various dates. Therefore, the CG has made the decision that each MCI will be considered an unregulated company up to their licence date.

Once an existing operator has been granted a microcredit licence then there would be no entitlement to ETC from the date such licence was granted. For the purpose of the transition of a MCI to a regulated company status and the conditions for the claiming of ETC, where the licence is granted on a date other than the first of the month, for that month the MCI shall be treated as if the company was unregulated for the whole month. the entity becomes a regulated company on the 1<sup>st</sup> day of the succeeding calendar month.

The MCI will take the status of regulated entity and must file its income tax return as such.

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#### **Issue #4: What is the income tax rate applicable to MCIs now licenced and supervised by the BOJ?**

With the passage of the MCA all MCIs falling under the supervision of the BOJ and formally licensed by the BOJ and fits the description of a regulated company as indicated in Section 2 of the ITA will be taxed at the income tax rate stipulated under section 30 of the ITA. Regulated companies are companies that are regulated by the Financial Services Commission, the Office of Utilities Regulation, the Bank of Jamaica or the Ministry Responsible for Finance.

With effect from their formal date of licencing the income tax rates applicable to a regulated company will take effect for all entities registered as MCIs and supervised by the BOJ. However, for the ease of administration the CG took the decision that where the licence approval was a date other than the first of the month the entities will continue as an unregulated company for the whole month until the following month when their tax status will be changed to a regulated company.

As a result of this, for the transitional period two (2) rates of corporate tax may apply to the income of the MCI, being 25% in respect of profits earned while unregulated and 33⅓% on profits earned while regulated.

#### **Issue #5: How will the ETC claimable in the transitional period be computed?**

For the purpose of administering the ETC the CG has made the following decision:

- (i) To allow qualifying MCIs to continue to benefit from the ETC for periods during which the MCI was unregulated and not in possession of a valid licence from BOJ up to the time when the licence is officially granted;
- (ii) Existing qualifying MCIs, for the purpose of the transition to a regulated company, where the licence is granted on a date other than the first of the month, will continue to be regarded as an unregulated company until the first day in the next calendar month. The claiming of ETC for that month shall be treated as if the company was unregulated for the whole month;
- (iii) To accept the apportionment of applicable income covering the period from the commencement of the assessment period to the last day of the month in which the date of the license was first granted. This is applicable where the licence is approved for a date other than the 1<sup>st</sup> day of the month. Otherwise, the effective period for the apportionment would end in the month prior to the date the licence is granted; and
- (iv) Once the statutory contributions/deductions for the qualifying periods are paid on time and in full within 14 days from the end of each qualifying period, the ETC will be claimable, subject to the limit (30% of tax payable).

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#### *Recommendation for Transitional Years*

To facilitate the filing of the return to reflect the correct tax payable for a transitional year when the company transfers from an unregulated company to a regulated company the Commissioner General has agreed on a number of actions to be taken. This is bearing in mind that the annual return form as shown on the taxpayer's e-services account is unable to accept dual standard rates in any particular year. That is, it cannot accept rates of 25% and 33⅓% simultaneous in Section F, Line 3. Once 'regulated company' is selected in Section A Line 9 the regulated rate of 33⅓% applicable to such entities will be populated at Section F Line 3 and the tax payable calculated on the amount returned. Also note, the form cannot accommodate pro-rating of the income related to the period when the company is unregulated and the period when it now becomes regulated. Therefore, all the calculations will take place outside of RAIS and a worksheet showing total tax at the effective rate and a 'refundable credit claimable' must be uploaded to reflect the true tax payable for that transitional year.

The following steps should be taken:

1. Calculate taxable profits and prepare tax computation by determining tax payable at rates of 25% and 33⅓% respectively;
2. Sum the figures to determine total tax payable;
3. Calculate tax on total profit at the rate of 33⅓%.
4. Calculate the difference in tax by subtracting the results computed at step 2 from step 3 above.
5. The figure derived from step 4 above will be treated as the '*Transitional refundable credit*' to be carried to the IT02 return Section F Line 25.

When filing the return the taxpayer is required to proceed as follows:

- (a) File using the IT02 return by selecting the 'Regulated Company' box in Section A line 9 of the return form;
- (b) Fill out the IT02 return in the usual manner with the actual figures as per accounts (i.e. do not pro-rate). In Section F, the rate of tax that will be applied to the figure in Line 3 is 33⅓%;
- (c) In Section F Line 16 include the allowable ETC as 'Other non-refundable credit'. The ETC claimable is the total payments for Ed Tax, NIS, NHT and HEART paid on time and in full, restricted to 30% of tax payable on profits in respect of period where the taxpayer was unregulated. This placement is necessary as the taxpayer will not be able to input any amount in Section F Line 14, the line which would normally house the ETC claimable. In addition, the taxpayer will also be required to upload the manually completed Schedule 7 along with work sheets used to complete the schedule.

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- (d) Upload worksheet of tax at effective rate (based on period of regulated vs unregulated) compared to tax rate at 33 $\frac{1}{3}$ % for full year as supporting document at Section F Line 25. Insert tax variance as refundable credit ('i.e. *Transitional refundable credit*').
- (e) **Note carefully, the online Schedule 7 will not be available.** (refer to note c above)
- (f) **Manually complete the Schedule 7 by including income in respect of months where the company was unregulated for the full month or any part thereof.**

It is anticipated that these steps will result in the correct tax being paid at an effective rate between 25% and 33 $\frac{1}{3}$ % being reflected in the annual return. (*see Illustrations, Scenario #4*)

#### ***Clawback Issues for the MCI where dividend is paid out of unregulated profits***

In relation to the transitional period, the clawback provisions of section 32A, subsections 10, 11 & 12 will still be applicable. The MCI will continue to be subjected to the clawback provision where a distribution to shareholders is made from unregulated profits. As long as there is a distribution being made from profits earned during the period where the taxpayer was an unregulated entity the ETC previously claimed during the unregulated status will be clawed-back as the Revenue seeks to recover the ETC previously claimed. (*see Illustrations, Scenario # 5*).

The MCI will continue to upload a worksheet to reflect the clawback as he will no longer be able to file a Schedule 7 Form to reflect same.

#### **Issue #6: Will MCIs now be liable to pay Assets Tax?**

When the Assets Tax (Specified Bodies) Act was first amended in 2013 the law was changed to introduce special prescribed rates of tax on 'specified regulated entities' which included deposit-taking entities regulated by the BOJ, securities dealers and insurance companies regulated by the Financial Services Commission (FSC). The new regime essentially classified the persons that are required to file a declaration and pay Assets Tax at the prescribed rates. Under the Revenue Measure for 2019/2020 a further change occurred where there was a partial abolishment of the Assets Tax. Specified non-financial institutions were no longer required to file and pay Assets Tax for the Y/A 2019 and onwards. Specified regulated entities which were regulated by the BOJ and the FSC continued to pay Assets Tax on the value of their taxable assets.

With the passing of the MCA this legislation expressly prohibits the acceptance of deposits from the public or banking business (as defined by the Banking Services Act) for persons operating as MCIs. Therefore, given the existing conditions and requirements established for the filing and payment of Assets Tax a MCI would not be classified as a deposit-taking

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institution. Therefore, a MCI will not be required to file a return nor pay Assets Tax despite it being a company regulated by the BOJ.

## **Conclusion**

Prior to July 30, 2021, MCIs were unregulated and were eligible to claim ETC. The MCA was passed on July 1, 2021 and came into effect July 30, 2021 and has the BOJ as the regulatory authority supervising the activities of the MCIs. Therefore, under section 2 of the ITA the MCI is a regulated company and as a consequence is no longer eligible to claim ETC.

Despite the MCIs gaining regulated company status it is not a deposit-taking institution and as such is not required to file and pay Assets Tax. However, the entities will be required to start applying the income tax rate of 33 $\frac{1}{3}$ % as of the CG's agreed licencing date.

ETC benefit will be applied after the apportionment is done to reflect the income and specified payments applicable to the period prior to their change in status.

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#### Illustrations

##### Scenario 1:

Can a provider of unsecured loans be eligible for Employment Tax Credit benefits since the nature of its operations may be classified as a trade?

##### Answer:

If these entities are providing microcredit services prior to the passing into law of the MCA such a provider would not be considered as a regulated company under the Financial Services Commission, the Office of Utilities Regulation, the Bank of Jamaica nor the Minister with responsibility for Finance. The case law, *Nuclear Electric Plc V Bradley (1996)*, has advanced a position that, unregulated institutions (institutions that are not monitored by the Financial Services Commission, the Bank of Jamaica, or the Minister with responsibility for Finance), who are in the business of lending unsecured loans only, may be operating a trade. Therefore, any benefits accruing to them by virtue of the Income Tax Act should not be denied. For the period January 2021 to the last day of the month in which the date of the MCI's licence was first granted \*\* they would be entitled to benefit from Employment Tax Credits as per section 32A of the ITA. However, with the passage of the MCA on July 30, 2021 they are no longer eligible to claim ETC as they are now under the regulation and supervision of the BOJ.

***\*\* For ease of administration, the CG has taken the decision to accept the apportionment of applicable income covering the period from the commencement of the assessment period to the last day of the month in which the date of the MCI's licence was first granted, if the date is one other than the 1<sup>st</sup> of the month.***

##### Scenario 2:

Micro-Loan Credit Lending Agency is a micro-credit business known as one of the leading providers of micro business loans and personal loans. The accountant has reached out to TAJ to get clarity on whether micro-credit businesses earning interest income from its lending may qualify as an eligible person in accordance with section 32A (2) of the ITA. The accountant is in the process of filing the company's annual income tax return and wishes to benefit from the ETC. He is concerned if these microcredit businesses would be considered as a regulated company as their operations are now supervised by BOJ?

***Required: What response should TAJ provide to this client?***

##### Answer:

The first issue to resolve is whether such institutions should be regarded as unregulated companies. Under section 2 of the ITA an unregulated company means a company that is not a regulated company. A regulated company is one that is regulated by any of the following;

(a) the Financial Services Commission;

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- (b) the Office of Utilities Regulation;
- (c) the Bank of Jamaica;
- (d) the Minister with responsibility for finance.

The Microcredit Act was passed in January 2021 and came into effect on July 30, 2021. The main purpose is to license and regulate microcredit institutions that provide financing to individuals as well as, MSMEs. The BOJ was named as the regulatory authority with responsibility for the general administration of the MCA and the supervision of microcredit institutions.

These companies are actively engaged in the business of granting loans in exchange for interest and principal at a later date. They are now under the supervision of the BOJ and therefore as at July 30, 2021 they would no longer be eligible to claim ETC on those activities, which prior to July 30, 2021 would have qualified them for the benefit under section 32A. However, for the period January 2021 to the last day of the month in which the date of the MCI's licence was first granted, these entities would continue to benefit from the ETC, thereafter all such benefits will cease.

#### **Scenario 3:**

New Life Financial & Travel Services Limited has been in operation for over fifteen (15) years in Jamaica. Their primary core operation is the provision of business loans to MSMEs and personal loans to individuals whereby they can finance medical emergencies, weddings, travel, holidays, education, and car repairs. They also have a secondary operation where they organize travel arrangements and accommodations for individuals and groups.

With the passing of the Microcredit Act in January 2021, which came into effect on July 30 2021, New Life was required to regulate their affairs by July 30, 2022. They submitted their application for licensing to the Bank of Jamaica on October 1, 2021 and the licence granted November 12, 2021.

For the year of assessment 2022, their Financial Director is in the process of submitting their tax returns for the period April 1, 2021 – March 31, 2022 and have asked Tax Administration Jamaica for their advice. The following information was provided:

- Chargeable Income for the period April 1, 2021 – March 31, 2022 \$120,000,000 (Income attributable to the travel agency \$48,000,000)
- Total specified payments for the period April 1, 2021 – March 31, 2022 \$5,000,000
  - Inclusive of specified payments for Travel agency operations for April 1, 2021 – March 31, 2022 of \$2,000,000

#### ***Required***

- (i) Is the company entitled to any ETC? Justify your answer

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### Tax Treatment for Microcredit Institutions now regulated by the Bank of Jamaica

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(ii) If yes, what are the components to be taken into consideration in determining the ETC claimable?

(iii) What is the ETC claimable for Y/A 2022

**Answer:**

Yes, the company will be entitled to claim ETC for the period leading up to November 30, 2021, after which restrictions are now in place as it is now regulated and supervised by the Bank of Jamaica.

The CG's decision cleared the way for the company to continue to be considered as an unregulated company up to November 30, 2021. As of December 1, 2021 the company is now a regulated entity and is not eligible to claim ETC. Since the company is regulated then no ETC can be claimed on the Travel Service Operations as of December 1, 2021 as the entire entity has received regulated status.

The income attributable to, and the specified payments for, the period April 1, 2021 to November 30, 2021 will be used to determine the amount claimable for ETC for Y/A 2022. The income attributable to and the specified payments related to the period December 1, 2021 – March 31, 2022 would not be applicable for the ETC computation. This is on the premise that section 32A rendered the company ineligible for ETC by virtue of its status as a regulated company and not by the business activities that the company carries out.

In the Y/A 2022, the ETC claimable is for the period April 1 2021 – March 31, 2022

**Step 1: Specified payments that qualify for the credit for the microcredit operations**

$$\$5,000,000 \times \frac{8}{12} = 3,333,333.33 \text{ (i.e. April 1, 2021 – November 30, 2021)}$$

**Step 2: Compute 30% of tax on chargeable income that qualify for the credit**

Chargeable income \$120,000,000

Chargeable income attributable to the period for which ETC is claimable

April 1, 2021 – November 30, 2021:  $\$120,000,000 \times \frac{8}{12} = \$80,000,000$

Tax on chargeable income  $\$80,000,000 \times 25\% = \$20,000,000$

Maximum ETC Claimable  $\$20,000,000 \times 30\% = \$6,000,000.00$

**Step 3: Restricted to the lower of the amount computed at step 1 & step 2**

Specified payments \$3,333,333.33

Maximum ETC Claimable \$6,000,000.00

**ETC claimable for the period: \$ 3,333,333.33**

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#### Scenario 4

##### *Quick and Fast Cash Limited is a Microcredit Institution.*

- The accounting year is April 1 to March 31
- Quick and Fast became regulated with effect from May 15, 2022
- Income for April 2022 to May 2022 was \$100,000
- Income for June 2022 to March 2023 was \$900,000
- Specified payments qualifying ETC for the months of April 2022 and June 2022 was \$500

Using the steps instructed by TAJ, identify the tax liability, the ETC amount applicable to the business, and show how this would appear on the income tax return. (See **recommendations for transitional years - pages# 10 – 11.**)

#### **Answer:**

Section 32A (2) of the ITA gives instructions that an eligible person, which excludes a regulated company, is entitled to claim the ETC. A regulated company under section 2 of the ITA includes those companies regulated by the BOJ. With the passing of the MCA in 2021 this has now changed, MCIs who were once unregulated became regulated upon acquiring their licence pursuant to the MCA, and as such will no longer be entitled to claim ETC. The CG has decided to allow qualifying ETC credit for periods of the accounting year during which the MCI was unregulated and not in possession of a valid licence from BOJ pursuant to the MCA.

#### Tax Filing Implications

- The Return Form IT02 cannot accommodate dual rates of 25% and 33⅓%, only one rate can be applied per return.
- Once the account is flagged as a regulated company on TAJ system, the form will not facilitate the claiming of ETC. Therefore, to ensure that the return can be properly filed measures have been implemented to facilitate a smooth transition.
- Profits for the period April 22 to May 2022 falls within the period when the business is determined to be an unregulated company and will be taxed at 25%.
- Profits for the period June 2022 to March 2023 falls within the period when the business is determined to be a regulated company and will be taxed at 33⅓%.
- The steps displayed below shows how to account for the two tax rates for the year on your IT02 return without it being rejected.

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#### Answer:

Derive the following information:

|                                                                                                                                                        |                       |                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|---------------------|
| <b>Total Profit</b>                                                                                                                                    | <b>\$1,000,000.00</b> |                     |
| Income subject to tax @25% - \$100,000                                                                                                                 | \$25,000.00           |                     |
| Income subject to tax @33⅓% - \$900,000                                                                                                                | <u>\$300,000.00</u>   |                     |
| <b>Total Tax (Tax at the effective rate)</b>                                                                                                           |                       | \$325,000.00        |
| Income subject to tax at the regulated rate - \$1,000,000 @33⅓%                                                                                        |                       | <u>\$333,333.33</u> |
| <b>Difference (Tax at the regulated rate less Tax at the effective rate)<br/>(i.e. 'Transitional refundable credit')</b>                               |                       | <u>\$8,333.33</u>   |
| ETC to be claimed as 'Other non-refundable credit' (Section F Line 16 Annual Return)                                                                   | \$500.00              |                     |
| <b>Place at Section F Line 25 Annual Return as "Other Refundable Tax Credits (Excluding previous refund claims)"<br/>[\$333,333.33 - \$325,000.00]</b> |                       | <b>\$8,333.33</b>   |

Using the information calculated above, the taxpayer will be required to upload a worksheet showing the tax at the effective rate (based on period of regulated vs unregulated) compared to the tax rate at 33⅓% for a full year to support the information which will be placed at Section F Line 25.

On the IT02 return in Section F Line 16 include the allowable ETC as 'Other non-refundable credit' \$500.00. In Section F Line 25 \$8,333.33 will be claimed as a 'Refundable credit' to ensure that the tax calculated using both rates are accounted for. As indicated earlier, when completing its return, the taxpayer's account will be required to select 'Regulated company' in Section A of the return. By doing so the applicable tax rate of 33⅓% will appear on the return and the tax payable using that rate will be calculated. By applying the \$8,333.33 differential an effective tax payable of \$325,000 will be derived.

Also be reminded that the online Schedule 7 form will not be available for claiming the ETC. The taxpayer will be required to manually complete the Schedule 7 form by including profit in respect of months where the company was unregulated for the full month or any part thereof. Upload the manually completed Schedule 7 form along with work sheets used to complete the Schedule.

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#### Scenario 5

- A. The Microcredit Act (MCA) was passed in January 2021 and became effective on July 30, 2021 which meant that companies offering microcredit services would now become regulated entities, supervised by the Bank of Jamaica. The new legislation required that all MCIs obtain a licence in order to continue providing microcredit services.

Rich Rich Cash Limited is a Microcredit Institution (MCI) and has been in operation since 2019. At inception, under the Income Tax Act, they were considered to be an unregulated company. Since the passing of the MCA they are now a regulated entity. The following information is relevant to the operations of the business for the year ended March 31, 2023.

- The accounting year is April 1 to March 31
- Rich Rich Cash Limited was granted licensing approval from the BOJ with effect from June 22, 2022

For the year ended March 31, 2023 the company's accounts revealed the following:

- Chargeable Income for April 1, 2022 to June 30, 2022 was \$76,000,000
- Chargeable Income for July 1, 2022 to March 31, 2023 was \$84,000,000
- Specified payments qualifying for ETC for the period
  - April 1, 2022 to June 30, 2022 was \$5,500,000
  - July 1, 2022 to March 31, 2023 was \$6,000,000

All specified payments were paid on time and in full within 14 days from the end of each qualifying period.

Of note, Rich Rich Cash Limited also paid dividend amounting to \$27,000,000 to its St. Lucian parent company at the end of March 31, 2023 from profits earned in the year ended March 31, 2022. In accordance with the CARICOM Double Taxation Agreement, tax on dividends is at 0%. ETC claimed up to the year ended March 31, 2022 was \$8,500,000. At the end of March 31, 2022 there was also a clawback of \$3,500,000.

#### **Required:**

- (a) Is the company eligible for any ETC in Y/A 2023? Justify your answer. If so, compute the ETC that is claimable.*
- (b) How much will be clawed back in 2023?*
- (c) What is the aggregate ETC available for future years?*
- (d) Show how the information calculated above would appear in Sections E & F of the Schedule 7 Form).*
- (e) Using the transitional method agreed on by the Commissioner General, compute the tax liability, show the ETC amount applicable to the business for Y/A 2023, and*

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*how all this information would appear on the annual income tax return given the dual rates applicable to the MCI in the transitional year.*

- B. At the end of March 2024 Rich Rich Cash Limited paid out dividends amounting to \$30,000,000 from profits earned in the year ended March 31, 2023. Tax paid on the dividend was 0%, as this was paid to its St. Lucian parent company. Chargeable income earned for the period ended March 31, 2024 was \$210,000,000. Profits brought forward from period ending June 30, 2022 is \$70,000,000.

**Required:**

*Compute the ETC clawed back from the business for Y/A 2024 and show how this information would appear on the annual income tax return.*

**Answer:**

A.

**(a) ETC claimable – Y/A 2023**

The Commissioner General took an administrative decision that, for the purposes of administering the ETC, for the transition to a regulated company where the licence is granted on a date other than the first of the month, the MCI will continue to be regarded as an unregulated company until the first day in the next calendar month. That is, for the claiming of ETC, for the month in which a licence was granted for a date other than the 1<sup>st</sup> day it shall be treated as if the company was unregulated for the whole month.

This decision cleared the way for Rich Rich Cash Limited to continue to be considered as an unregulated company up to June 30, 2022. As of July 1, 2022 the company is now a regulated entity and is not eligible to claim ETC. The income attributable to, and the specified payments for, the period April 1, 2022 to June 30, 2022 will be used to determine the amount claimable for ETC for Y/A 2023. The income attributable to and the specified payments related to the period July 1, 2022 to March 31, 2023 would not be applicable for the ETC computation. This is on the premise that section 32A rendered the company ineligible for ETC by virtue of its new status as a regulated company.

Rich Rich Cash Limited will continue to be subjected to the clawback provision where dividends are paid to shareholders from unregulated profits and until such time that the ETC previously claimed during the unregulated status is clawed-back. The company will continue to upload a worksheet to reflect the clawback as it will no longer be able to file a Schedule 7 Form to reflect same. This will be facilitated until the total ETC previously claimed is clawed back in full.

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### Tax Treatment for Microcredit Institutions now regulated by the Bank of Jamaica

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#### Y/A 2023

ETC claimable is for the period April 1 2022 to June 30, 2022

Step 1: Specified payments that qualify for the credit for the microcredit operations  
April 1 2022 -June 30, 2022                      \$5,500,000

Step 2: Compute 30% of tax on chargeable income that qualify for the credit

Chargeable income attributable to the period for which ETC is claimable

April 1 2022 - June 30, 2022                      \$76,000,000

Tax on chargeable income                       $\$76,000,000 \times 25\% = \$19,000,000$

Maximum ETC Claimable                       $\$19,000,000 \times 30\% = \$5,700,000$

Step 3: Restricted to the lower of the amount computed at step 1 & step 2

**ETC claimable for the period: \$ 5,500,000**

#### **(b) Clawback for 2023**

Step 4: Compute 10% of the dividend

$\$27,000,000 \times 10\% = \$2,700,000$

Step 5: Ascertain the tax payable on the dividend to the recipient

Tax Rate 0% of the Dividend     $\$27,000,000 \times 0\% = \$0$

Step 6: Compute the relevant amount (i.e. result of step 4 minus result of step 5)

[Determine 10% of the amount of the distribution then less the tax payable on the distribution by its recipient]  
(i.e.  $\$2,700,000 - \$0 = \$2,700,000$ )

Step 7: Compare the relevant amount and the ETC previously claimed (Use the lower of)

Relevant amount                      \$2,700,000

ETC previously claimed                      \$5,000,000\* (see calculation below)

**The clawback amount for 2023 would be \$2,700,000**

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**(c) The aggregate ETC remaining (available for clawback) for future years will be \$7,800,000.**

|                                                   |                      |
|---------------------------------------------------|----------------------|
| ETC: 2019 to 2022                                 | \$8,500,000          |
| Less Claw Back for 2022                           | <u>(\$3,500,000)</u> |
| Net amount previously claimed                     | \$5,000,000*         |
| ETC – 2023 (Specified Payments)                   | \$5,500,000          |
| Total ETC as at 2023 (5,000,000+5,500,000)        | \$10,500,000         |
| Less Claw Back for 2023                           | <u>(\$2,700,000)</u> |
| Net ETC remaining (available for future clawback) | <u>\$7,800,000</u>   |

**(d) Extract from Schedule 7 - ETC Claimable & Accumulated ETC Claimed (Prepare Manually)**

|                                                                                                                                  |   |            |   |                  |
|----------------------------------------------------------------------------------------------------------------------------------|---|------------|---|------------------|
| <b>Section E - EMPLOYMENT TAX CREDIT CLAIMABLE</b>                                                                               |   |            |   |                  |
| ETC - Specified Payments (S01 Payments made on time and in full)                                                                 | 1 | 5,500,000  |   |                  |
| Maximum Employment Tax Credit Claimable (30% x \$76,000,000)                                                                     | 2 | 19,000,000 |   |                  |
| Employment Tax Credit Allowable ( <i>Line 1 or Line 2 whichever is less</i> )                                                    |   |            | 3 | 5,500,000        |
| Employment Tax Credit Claw Back Amount (Restricted to ETC previously claimed)                                                    |   |            | 4 | 2,700,000        |
| Employment Tax Credit Claimable (Section E, Line 3 less Section E, Line 4) ( <i>Transfer to Section F on the Annual Return</i> ) |   |            | 5 | 2,800,000        |
| <b>Section F - ACCUMULATED EMPLOYMENT TAX CREDIT CLAIMED</b>                                                                     |   |            |   |                  |
| Employment Tax Credit Previously Claimed                                                                                         |   |            | 1 | 5,000,000        |
| Total Employment Tax Credit Claimed in this Period                                                                               |   |            | 2 | 2,800,000        |
| Aggregate Employment Tax Credit Claimed (Add Section F, Line 1 and Line 2 )                                                      |   |            | 3 | <b>7,800,000</b> |

The online Schedule 7 form will not be available for claiming the ETC. The taxpayer will be required to manually complete the Schedule 7 form by including chargeable income in respect of months where the company was unregulated for the full month or any part thereof. In Section F Line 16 include the allowable ETC as 'Other non-refundable credit'. Upload the manually completed Schedule 7 form along with worksheet(s) used to complete the Schedule.

**(e) Transition to MCI – Y/A 2023 & Extract from IT02- 2023**

To facilitate the filing of the return to reflect the correct tax payable for a transitional year when the company transfers from an unregulated company to a regulated company the Commissioner General has agreed on a number of actions to be taken. This is bearing in mind that the annual return form as shown on the taxpayer's e-services account is unable to accept dual standard rates in any particular year. That is, it cannot accept rates of 25% and 33⅓% simultaneous in Section F, Line 3. Once 'regulated company' is selected in Section A Line 9 the regulated rate of 33⅓% applicable to such entities will be populated and the tax payable calculated on the amount returned. Also note, the form cannot accommodate pro-rating of the income related to the period when the company is unregulated and the period when it now becomes regulated. Therefore, all the calculations will take place outside of RAIS and a worksheet showing total

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tax at the effective rate and a 'refundable credit claimable' must be uploaded to reflect the true tax payable for that transitional year.

[See page# 8 – 9 for the actions necessary to reflect the correct tax payable.]

#### Worksheet to declare Refundable credit claimable arising from the two rates applicable

|                                                                                                                                                              |                         |                        |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|------------------------|
| <b>Total Chargeable Income for the year ended March 31, 2023</b>                                                                                             | <b>\$160,000,000.00</b> |                        |
| Income subject to tax @25% - \$76,000,000                                                                                                                    | \$19,000,000.00         |                        |
| Income subject to tax @33⅓% - \$84,000,000                                                                                                                   | <u>\$28,000,000.00</u>  |                        |
| <b>Total Tax (Tax at the effective rate)</b>                                                                                                                 |                         | \$47,000,000.00        |
| Income subject to tax at the regulated rate - \$160,000,000 @33⅓%                                                                                            |                         | <u>\$53,333,333.33</u> |
| <b>Difference (Tax at the regulated rate less Tax at the effective rate)<br/>(i.e. 'Transitional refundable credit')</b>                                     |                         | <u>\$6,333,333.33</u>  |
| ETC to be claimed as 'Other non-refundable credit' (Section F Line 16 Annual Return)                                                                         | \$2,800,000.00          |                        |
| <b>Place at Section F Line 25 Annual Return as "Other Refundable Tax Credits (Excluding previous refund claims)"<br/>[\$53,333,333.33 - \$47,000,000.00]</b> |                         | <b>\$6,333,333.33</b>  |

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# TECHNICAL ADVISORY

## Tax Treatment for Microcredit Institutions now regulated by the Bank of Jamaica



### THE INCOME TAX ACT ANNUAL RETURN OF INCOME AND TAX PAYABLE ORGANIZATIONS (BODIES CORPORATE)

SAVE

RESET

PRINT

IT02

Accounting Period Begins: 2, 0, 2, 3 0, 4, 0, 1 Ends: 2, 0, 2, 3 0, 3, 3, 1 Year of Assessment: 2, 0, 2, 3

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |    |                                                                                                                  |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|------------------------------------------------------------------------------------------------------------------|--|
| <b>Section A - GENERAL INFORMATION</b> <i>Please Read Notes before Completing this Return</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |    |                                                                                                                  |  |
| 1. Company Name<br>RICH RICH CASH LIMITED                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |    | 2. Taxpayer Registration Number<br>0 0 0 0 0 0 0 0 0 0 - 0 0 0 0                                                 |  |
| 3. Current Business Address (Street No. & Name, Postal Zone, Parish)<br>DOWNTOWN KINGSTON                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |    | 4. Mailing Address (if different from 3.)                                                                        |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |    | 5. Telephone Number<br>(876) 100-1000                                                                            |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |    | 6. Email Address<br>realrichcash@gmail.org                                                                       |  |
| 7. Is this your first time filing? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |    | 7a. Indicate the period being filed for<br>From: 2, 0, 2, 3 0, 4, 0, 1 To: 2, 0, 2, 3 0, 3, 3, 1                 |  |
| 8. Have you commenced trading? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If Yes, State date trading commenced<br>Year: 2, 0, 1, 9 Month: 0, 4 Day: 0, 1                                                                                                                                                                                                                                                                                                                                                                                           |    |                                                                                                                  |  |
| 9. Please indicate the category within which the company operates (See definitions in "Notes and Instructions" on page 4.)<br><input checked="" type="checkbox"/> Regulated Company <input type="checkbox"/> Unregulated Company                                                                                                                                                                                                                                                                                                                                            |    | 10. Date of Incorporation<br>Year: 2, 0, 1, 9 Month: 0, 4 Day: 0, 1                                              |  |
| 11. Indicate Incentive Act to which you are subject (if applicable):<br><input type="checkbox"/> ESOP <input type="checkbox"/> Industrial <input type="checkbox"/> Hotel <input type="checkbox"/> Cement Industry <input type="checkbox"/> Urban Renewal<br><input type="checkbox"/> Resort Cottages <input type="checkbox"/> Junior Stock <input type="checkbox"/> Petrol Refining <input type="checkbox"/> Shipping <input type="checkbox"/> Motion Picture<br><input type="checkbox"/> Bauxite <input type="checkbox"/> Exchange <input type="checkbox"/> Other (state): |    | 12. Tick appropriate box(es):<br><input type="checkbox"/> New Address<br><input type="checkbox"/> Revised Return |  |
| 13. The Financial Statements were prepared: <input type="checkbox"/> Internally <input type="checkbox"/> Externally                                                                                                                                                                                                                                                                                                                                                                                                                                                         |    |                                                                                                                  |  |
| <b>Section B - SUMMARY OF INCOME</b> (Complete Schedule 1 and upload Financial Statements where Gross Income is \$10 million or more.)                                                                                                                                                                                                                                                                                                                                                                                                                                      |    |                                                                                                                  |  |
| <b>INCOME FROM TRADE OR BUSINESS</b> (Complete Schedule 1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |    |                                                                                                                  |  |
| Gross Receipts / Sales / Income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1  | 220,000,000.00                                                                                                   |  |
| Cost of Goods Sold                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 2  | 0.00                                                                                                             |  |
| Gross Operating Profit/(Loss) (Section B, Line 1 less Line 2)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 3  | 220,000,000.00                                                                                                   |  |
| Business / Administrative Expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 4  | 100,000,000.00                                                                                                   |  |
| Net Adjustments (Complete page 2 of Schedule 1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 5  | 53,000,000.00                                                                                                    |  |
| Total Expenses (Section B, Line 4 less Line 5)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 6  | 47,000,000.00                                                                                                    |  |
| Net Profit / (Loss) from Trade or Business (Section B, Line 3 less Line 6)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 7  | 173,000,000.00                                                                                                   |  |
| Share of Partnership Income (Complete Schedule 4)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 8  | 0.00                                                                                                             |  |
| <b>INCOME FROM RENTAL OF PROPERTY</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |    |                                                                                                                  |  |
| Gross Rental Received                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 9  | 0.00                                                                                                             |  |
| Rental Expenses Incurred                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 10 | 0.00                                                                                                             |  |
| Net Rental Income (Section B, Line 9 less Line 10)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 11 | 173,000,000.00                                                                                                   |  |
| <b>INCOME FROM INVESTMENTS AND OTHER SOURCE</b> (Complete Schedule 4)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |    |                                                                                                                  |  |
| Gross Preference Dividends                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 12 | 0.00                                                                                                             |  |
| Gross Dividends other than Preference Dividends from companies resident in Jamaica (Franked Income)                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 13 | 0.00                                                                                                             |  |
| Gross Interest Received                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 14 | 0.00                                                                                                             |  |
| Annuities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 15 | 0.00                                                                                                             |  |
| Other Investment Income (Including Discount, Premiums etc.)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 16 | 0.00                                                                                                             |  |
| Other Distributions (Excluding Gross Dividends and Gross Interest Received)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 17 | 0.00                                                                                                             |  |
| <b>INCOME FROM SOURCES OUTSIDE THE ISLAND</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |    |                                                                                                                  |  |
| Net Business Profits / (Loss)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 18 | 0.00                                                                                                             |  |
| Gross Dividends                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 19 | 0.00                                                                                                             |  |
| Gross Interest Received                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 20 | 0.00                                                                                                             |  |
| Other Income Outside the Island                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 21 | 0.00                                                                                                             |  |
| Total Income from Sources Outside the Island (Section B, Add Lines 18 to 21)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 22 | 0.00                                                                                                             |  |
| Other Income not stated elsewhere                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 23 | 0.00                                                                                                             |  |
| Total Income from Investment and Other Sources (Section B, Add Lines 12, 13, 14, 15, 16, 17, 22 and 23)                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 24 | 173,000,000.00                                                                                                   |  |
| Total Income from all sources excluding Gross Dividends other than Preference Dividends (Unfranked) (Section B: Add Lines 7, 8, 11 and 24)                                                                                                                                                                                                                                                                                                                                                                                                                                  | 25 | 173,000,000.00                                                                                                   |  |

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Tax Administration Jamaica

Advisory# 062025/01/IT-TA

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## TECHNICAL ADVISORY

### Tax Treatment for Microcredit Institutions now regulated by the Bank of Jamaica

|                                                                                                                                                                                                                                                             |  |       |                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------|----------------|
| Gross Dividends other than Preference Dividends (Unfranked) from companies resident in Jamaica (Transfer to Section F, Line 1)                                                                                                                              |  | 26    | 0.00           |
| <b>Total Income from all Sources</b> (Section B, Add Lines 25 and 26)                                                                                                                                                                                       |  | 27    | 173,000,000.00 |
| Total Gross Wages and Salaries paid                                                                                                                                                                                                                         |  | 28    |                |
| <b>Section C - EXEMPTIONS AND FRANKED INCOME</b>                                                                                                                                                                                                            |  |       |                |
| Gross Dividends other than Preference Dividends (Franked Income) from companies resident in Jamaica (Transfer from Section B, Line 13)                                                                                                                      |  | 1     | 0.00           |
| Exemptions                                                                                                                                                                                                                                                  |  | 2     | 0.00           |
| <b>Total Exemptions and Franked Income</b> (Section C, Add Lines 1 and 2)                                                                                                                                                                                   |  | 3     | 0.00           |
| Total Income from All Sources excluding Gross Dividends other than Preference Dividends (Unfranked Income) less Exemptions and Franked Income (Section B, Line 25 less Section C, Line 3)                                                                   |  | 4     | 173,000,000.00 |
| <b>Section D - DEDUCTIONS AND CHARGEABLE INCOME</b>                                                                                                                                                                                                         |  |       |                |
| Capital Allowances (Complete Schedule 2) See Notes                                                                                                                                                                                                          |  | 1     | 13,000,000.00  |
| Covenanted Donations (Complete Schedule 4 and proof of covenant)                                                                                                                                                                                            |  | 2     | 0.00           |
| <b>Total Income from All sources excluding Gross Dividends other than Preference Dividends (Unfranked Income) less Exemptions and Franked Income, less [Capital Allowances and Covenanted Donations]</b> (Section C, Line 4, less Section D, Lines 1 and 2) |  | 3     | 160,000,000.00 |
| Allowable Loss (Transfer from Section E, Line 4)                                                                                                                                                                                                            |  | 4     | 0.00           |
| Other Donations (Restrict to Section B, Line 26 plus Section D, Line 3 less Line 4*[5/105])                                                                                                                                                                 |  | 5     | 0.00           |
| <b>Total Deductions</b> (Section D: Add Lines 1, 2, 4 and 5) (Complete Schedule 4) (See Notes)                                                                                                                                                              |  | 6     | 13,000,000.00  |
| <b>Chargeable Income excluding Gross Dividends other than Preference Dividends (Unfranked Income)</b> (Section D: Line 3 less Lines 4 and 5) (Transfer to Section F, Line 2)                                                                                |  | 7     | 160,000,000.00 |
| <b>Section E - AVAILABLE LOSSES</b>                                                                                                                                                                                                                         |  |       |                |
| Losses brought forward from previous years                                                                                                                                                                                                                  |  | 1     | 0.00           |
| Current Loss (Equals Section D, Line 3* (-1) if Section D, Line 3 is negative)                                                                                                                                                                              |  | 2     | 0.00           |
| <b>Total losses available</b> (Section E, Add Lines 1 and 2)                                                                                                                                                                                                |  | 3     | 0.00           |
| Allowable Loss: (Is trade or business within the first 6 years of operation OR is Gross Sales less than \$10,000,000.00?) <input type="checkbox"/> Yes <input type="checkbox"/> No (See Note 1 below)                                                       |  | 4     | 0.00           |
| <b>Total losses available to carry forward</b> (Section E, Line 3 less Line 4)                                                                                                                                                                              |  | 5     | 0.00           |
| <p><b>Note 1</b> If "Yes" - Allowable Loss is restricted to Section D, Line 3.<br/>If "No" - Allowable Loss is restricted to 50% of the profits as a result of Section D, Line 3.</p>                                                                       |  |       |                |
| <b>Section F - TAX COMPUTATION</b>                                                                                                                                                                                                                          |  |       |                |
| Gross Dividends other than Preference Dividends (Unfranked) from companies resident in Jamaica (Transfer from Section B, Line 26)                                                                                                                           |  | 1     | 0.00           |
| <b>Chargeable Income excluding Gross Dividends other than Preference Dividends (Unfranked)</b> (Transfer from Section D, Line 7)                                                                                                                            |  | 2     | 160,000,000.00 |
| Tax on Chargeable Income (Transfer value from Section F, Line 2)                                                                                                                                                                                            |  | 3     | 160,000,000.00 |
|                                                                                                                                                                                                                                                             |  | Rate  |                |
|                                                                                                                                                                                                                                                             |  | 33.33 | =              |
| <b>Tax payable on Dividends other than Preference Dividends by Group Members holding a minimum of 25% voting rights</b> (See Notes)                                                                                                                         |  | 5     | 0.00           |
|                                                                                                                                                                                                                                                             |  | 0%    | =              |
| <b>Tax Payable on Dividends other than Preference Dividends (Unfranked) from companies resident in Jamaica.</b> (Section F, Line 1 less Line 5)                                                                                                             |  | 7     | 0.00           |
|                                                                                                                                                                                                                                                             |  | 15%   | =              |
| <b>Total Tax Payable on Chargeable Income</b> (Section F, Add Lines 4, 6 and 8)                                                                                                                                                                             |  | 9     | 53,333,333.33  |
| <b>Non-Refundable Tax Credits (Attach Supporting Documents where applicable)</b>                                                                                                                                                                            |  |       |                |
| Double Taxation Relief (Restrict to tax associated with income at Section B, Line 22)                                                                                                                                                                       |  | 10    | 0.00           |
| Tax Relief in respect of other Incentive Income                                                                                                                                                                                                             |  | 11    | 0.00           |
| Contractors Levy (Upload Supporting Documents)                                                                                                                                                                                                              |  | 12    | 0.00           |
| Corporate Tax Credit                                                                                                                                                                                                                                        |  | 13    | 0.00           |
| Employment Tax Credit (ETC) (Complete Schedule 7)                                                                                                                                                                                                           |  | 14    | 0.00           |
| Tax Deducted from Gross Dividends other than Preference Dividends from companies resident in Jamaica (Unfranked)                                                                                                                                            |  | 15    | 0.00           |
| Other Non-Refundable Tax Credits (Upload Supporting Documents)                                                                                                                                                                                              |  | 16    | 2,800,000.00   |
| <b>Total Non-Refundable Credits</b> (Section F, Add Lines 10, 11, 12, 13, 14, 15 and 16)                                                                                                                                                                    |  | 17    | 2,800,000.00   |
| <b>Tax on Chargeable Income less Non-Refundable Tax Credits</b> (Section F, Line 9 less Line 17; Restrict to Zero)                                                                                                                                          |  | 18    | 50,533,333.33  |

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## TECHNICAL ADVISORY

### Tax Treatment for Microcredit Institutions now regulated by the Bank of Jamaica

#### Refundable Tax Credits (Attach Certificates and / or Supporting Documents)

|                                                                                               |    |      |
|-----------------------------------------------------------------------------------------------|----|------|
| Tax deducted from other Distributions (Excluding Gross Dividends and Gross Interest Received) | 19 | 0.00 |
| Tax deducted from Gross Interest Received                                                     | 20 |      |
| Tax Withheld on Gross Preference Dividends                                                    | 21 |      |
| 3% Tax Withheld on Specified Services                                                         | 22 |      |
| Amount utilized against Estimated Taxes                                                       | 23 | 0.00 |

#### Section F - TAX COMPUTATION (Continued)

|                                                                                  |    |               |
|----------------------------------------------------------------------------------|----|---------------|
| Amount available as Tax Credits (Section F, Line 22 less Line 23)                | 24 | 0.00          |
| Other Refundable Tax Credits (Excluding previous refund claims)                  | 25 | 6,333,333.33  |
| <b>Total Refundable Tax Credits (Section F, Add Lines 19, 20, 21, 24 and 25)</b> | 26 | 6,333,333.33  |
| <b>NET TAX PAYABLE / (REFUNDABLE) (Section F, Line 18 less Line 26)</b>          | 27 | 44,200,000.00 |
| <b>Estimated Tax Paid</b>                                                        | 28 | 0.00          |
| <b>Tax Balance Payable / (Refundable) (Section F, Line 27 less Line 28)</b>      | 29 | 44,200,000.00 |

#### Section G - PRINCIPAL MEMBERS' BENEFITS

| TRN | Name of Principal Member | Distribution of Shares Received | Director's Remuneration (a) | Housing Benefit (b) | Other Benefits (c) | Total (d) = (a+b+c) |
|-----|--------------------------|---------------------------------|-----------------------------|---------------------|--------------------|---------------------|
|     |                          |                                 |                             |                     |                    |                     |
|     |                          |                                 |                             |                     |                    |                     |
|     |                          |                                 |                             |                     |                    |                     |
|     |                          |                                 |                             |                     |                    |                     |
|     |                          |                                 |                             |                     |                    |                     |

#### Section H - CONNECTED PERSONS TRANSACTIONS

During the Year of Assessment 2 0 2 3 did the company conduct any transaction with an Affiliated Company or Connected Person?

☐ Yes - Complete Schedule 8 - Declaration of Connected Person Transaction ☒ No

#### Section I - PREPARER'S DETAILS - (To be completed by persons who prepared the Financial Accounts and or the Return)

##### Financial Statement

**Internally:** Preparer's Name (Individual or Position Title) TRN.

**Externally:** Preparer's Name (Individual or Firm) TRN.  
DoeRaeMe Management Accountant 5 0 0 0 0 0 1  
Address Contact Number:  
Waterfront District Kingston (876) 322-9999

##### Return

Preparer's Name (Individual / Position Title) Address TRN.  
John Rae (Chief Financial Officer) Uptown Kingston 8 1 0 0 0 0 0 0 0  
Contact Number:  
(876) 200-0000

#### Section J- DECLARATION (To be signed by the Taxpayer only)

**Note:** Any false statement made herein by you or on your behalf will render you liable to penalties and / or criminal proceedings

I declare, to the best of my knowledge and belief, that this return and accompanying schedules and statements are a true, correct and complete representation of the whole of the income of RICH RICH CASH LIMITED for the year stated.  
(Company's name)

Name \_\_\_\_\_ Title or Position \_\_\_\_\_  
Signature \_\_\_\_\_ Date \_\_\_\_\_



#### FOR OFFICIAL USE

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## TECHNICAL ADVISORY

### Tax Treatment for Microcredit Institutions now regulated by the Bank of Jamaica

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- B. The company is required to clawback the ETC claimed at the end of March 2023, being that the dividend paid out in 2024 was paid from income earned while the company's status for part of 2023 was that of unregulated company. The company is no longer entitled to claim ETC however they must report the clawback as mentioned earlier.

The company will continue to upload a worksheet to reflect the clawback as it will no longer be able to file a Schedule 7 Form to reflect same. This will be facilitated until the total ETC previously claimed is clawed back in full. In addition, the clawback amount will be grossed-up by the tax of 33⅓% and shown in Section B, Line 23 as the current annual return cannot accommodate the tax associated with the recovery. (see below)

#### Clawback for 2024

Compute 10% of the dividend

$$\$30,000,000 \times 10\% = \$3,000,000$$

Ascertain the tax payable on the dividend to the recipient using tax rate of 0%.

$$\$30,000,000 \times 0\% = \$0$$

Compute the relevant amount

[Determine 10% of the amount of the distribution then less the tax payable at 0% on the distribution to the recipient]

$$(i.e. \$3,000,000 - \$0 = \$3,000,000)$$

Compare the relevant amount and the ETC previously claimed (Use the lower of)

|                        |                                                  |
|------------------------|--------------------------------------------------|
| Relevant amount        | \$3,000,000                                      |
| ETC previously claimed | \$7,800,000* (From response in Part A (c) above) |

**The clawback amount for 2024 would be \$3,000,000**

## TECHNICAL ADVISORY

### Tax Treatment for Microcredit Institutions now regulated by the Bank of Jamaica

The aggregate ETC remaining (available for clawback) for future years will be **\$4,800,000**.

|                                                       |                      |
|-------------------------------------------------------|----------------------|
| Net ETC remaining (From response in Part A (c) above) | \$7,800,000          |
| Less Claw Back for 2024                               | <u>(\$3,000,000)</u> |
| Net ETC remaining (available for future clawback)     | <u>\$4,800,000</u>   |

### Extract from Schedule 7 - ETC Claimable & Accumulated ETC Claimed (Prepare Manually)

|                                                                                                                                  |   |   |                  |
|----------------------------------------------------------------------------------------------------------------------------------|---|---|------------------|
| <b>Section E - EMPLOYMENT TAX CREDIT CLAIMABLE</b>                                                                               |   |   |                  |
| ETC - Specified Payments (S01 Payments made on time and in full)                                                                 | 1 | 0 |                  |
| Maximum Employment Tax Credit Claimable (30% x \$0,000,000)                                                                      | 2 | 0 |                  |
| Employment Tax Credit Allowable ( <i>Line 1 or Line 2 whichever is less</i> )                                                    |   | 3 | 0                |
| Employment Tax Credit Claw Back Amount (Restricted to ETC previously claimed)                                                    |   | 4 | 3,000,000        |
| Employment Tax Credit Claimable (Section E, Line 3 less Section E, Line 4) ( <i>Transfer to Section F on the Annual Return</i> ) |   | 5 | -3,000,000       |
| <b>Section F - ACCUMULATED EMPLOYMENT TAX CREDIT CLAIMED</b>                                                                     |   |   |                  |
| Employment Tax Credit Previously Claimed                                                                                         | 1 |   | 7,800,000        |
| Total Employment Tax Credit Claimed in this Period                                                                               | 2 |   | -3,000,000       |
| Aggregate Employment Tax Credit Claimed (Add Section F, Line 1 and Line 2)                                                       | 3 |   | <b>4,800,000</b> |

|                                 |                                                                       |
|---------------------------------|-----------------------------------------------------------------------|
|                                 | <b>Profits from income prior to July 1, 2022 (unregulated status)</b> |
| Reserve Balance Brought Forward | \$70,000,000                                                          |
| Distribution                    | \$30,000,000                                                          |
| Reserve Balance Carried Forward | \$40,000,000                                                          |

### Worksheet to declare Clawback on the IT02 for Y/A 2024 for distribution from reserves earned prior to 01.07.2022

|                                                                                                                              |                          |                         |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------|-------------------------|
| Clawback for 2024                                                                                                            | <u>(\$3,000,000 .00)</u> |                         |
| Total Chargeable Income for the year ended March 31, 2024 (excluding other income not stated elsewhere at Section B Line 23) | \$210,000,000.00         |                         |
| Add Other Income not stated elsewhere Section B Line 23 (grossed up [ $\$3,000,000 \div 33\frac{1}{3}\%$ ])                  | \$9,000,000.00           |                         |
| <b>Total Income (Section D Line 7)</b>                                                                                       |                          | <b>\$219,000,000.00</b> |
| Income subject to tax at the regulated rate - \$219,000,000 @33 $\frac{1}{3}$ %                                              |                          | <u>\$73,000,000.00</u>  |
| <b>Tax Balance Payable at Section F Line 29 Annual Return</b>                                                                |                          | <b>\$73,000,000.00</b>  |

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# TECHNICAL ADVISORY

## Tax Treatment for Microcredit Institutions now regulated by the Bank of Jamaica



### THE INCOME TAX ACT ANNUAL RETURN OF INCOME AND TAX PAYABLE ORGANIZATIONS (BODIES CORPORATE)

SAVE RESET PRINT

IT02

Accounting Period Begins: 2, 0, 2, 3 0, 4, 0, 1 Ends: 2, 0, 2, 4 0, 3, 3, 1 Year of Assessment: 2, 0, 2, 4

**Section A - GENERAL INFORMATION** *Please Read Notes before Completing this Return*

1. Company Name  
RICH RICH CASH LIMITED

2. Taxpayer Registration Number  
0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0

3. Current Business Address (Street No. & Name, Postal Zone, Parish)  
DOWNTOWN KINGSTON

4. Mailing Address (if different from 3.)

5. Telephone Number  
(876) 100-1000

6. Email Address  
realrichcash@gmail.org

7. Is this your first time filing? ☐ Yes ☒ No

7a. Indicate the period being filed for From: Year Month Day To: Year Month Day  
2, 0, 2, 3 0, 4, 0, 1 2, 0, 2, 3 0, 3, 3, 1

8. Have you commenced trading? ☒ Yes ☐ No If Yes, State date trading commenced  
2, 0, 2, 3 0, 4, 0, 1

9. Please indicate the category within which the company operates (See definitions in "Notes and Instructions" on page 4.)  
☒ Regulated Company ☐ Unregulated Company

10. Date of Incorporation  
Year Month Day  
2, 0, 1, 9 0, 4, 0, 1

11. Indicate Incentive Act to which you are subject (if applicable):  
☐ ESOP ☐ Industrial ☐ Hotel ☐ Cement Industry ☐ Urban Renewal  
☐ Resort Cottages ☐ Junior Stock ☐ Petrol Refining ☐ Shipping ☐ Motion Picture  
☐ Bauxite Exchange ☐ Other (state):

12. Tick appropriate box(es):  
☐ New Address  
☐ Revised Return

13. The Financial Statements were prepared: ☐ Internally ☐ Externally

**Section B - SUMMARY OF INCOME** (Complete Schedule 1 and upload Financial Statements where Gross Income is \$10 million or more.)

**INCOME FROM TRADE OR BUSINESS** (Complete Schedule 1)

|                                                                            |   |                |
|----------------------------------------------------------------------------|---|----------------|
| Gross Receipts / Sales/ Income                                             | 1 | 320,000,000.00 |
| Cost of Goods Sold                                                         | 2 | 0.00           |
| Gross Operating Profit/(Loss) (Section B, Line 1 less Line 2)              | 3 | 320,000,000.00 |
| Business / Administrative Expenses                                         | 4 | 150,000,000.00 |
| Net Adjustments (Complete page 2 of Schedule 1)                            | 5 | 63,000,000.00  |
| Total Expenses (Section B, Line 4 less Line 5)                             | 6 | 87,000,000.00  |
| Net Profit / (Loss) from Trade or Business (Section B, Line 3 less Line 6) | 7 | 233,000,000.00 |
| Share of Partnership Income (Complete Schedule 4)                          | 8 | 0.00           |

**INCOME FROM RENTAL OF PROPERTY**

|                                                    |    |                |
|----------------------------------------------------|----|----------------|
| Gross Rental Received                              | 9  | 0.00           |
| Rental Expenses Incurred                           | 10 | 0.00           |
| Net Rental Income (Section B, Line 9 less Line 10) | 11 | 233,000,000.00 |

**INCOME FROM INVESTMENTS AND OTHER SOURCE** (Complete Schedule 4)

|                                                                                                     |    |      |
|-----------------------------------------------------------------------------------------------------|----|------|
| Gross Preference Dividends                                                                          | 12 | 0.00 |
| Gross Dividends other than Preference Dividends from companies resident in Jamaica (Franked Income) | 13 | 0.00 |
| Gross Interest Received                                                                             | 14 | 0.00 |
| Annuities                                                                                           | 15 | 0.00 |
| Other Investment Income (Including Discount, Premiums etc.)                                         | 16 | 0.00 |
| Other Distributions (Excluding Gross Dividends and Gross Interest Received)                         | 17 | 0.00 |

**INCOME FROM SOURCES OUTSIDE THE ISLAND**

|                                                                                                                                            |    |                |
|--------------------------------------------------------------------------------------------------------------------------------------------|----|----------------|
| Net Business Profits / (Loss)                                                                                                              | 18 | 0.00           |
| Gross Dividends                                                                                                                            | 19 | 0.00           |
| Gross Interest Received                                                                                                                    | 20 | 0.00           |
| Other Income Outside the Island                                                                                                            | 21 | 0.00           |
| Total Income from Sources Outside the Island (Section B, Add Lines 18 to 21)                                                               | 22 | 0.00           |
| Other Income not stated elsewhere                                                                                                          | 23 | 9,000,000.00   |
| Total Income from Investment and Other Sources (Section B, Add Lines 12, 13, 14, 15, 16, 17, 22 and 23)                                    | 24 | 242,000,000.00 |
| Total Income from all sources excluding Gross Dividends other than Preference Dividends (Unfranked) (Section B: Add Lines 7, 8, 11 and 24) | 25 | 242,000,000.00 |

Form No. IT02 (Revised 2022/09/16)

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Tax Administration Jamaica

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## TECHNICAL ADVISORY

### Tax Treatment for Microcredit Institutions now regulated by the Bank of Jamaica

|                                                                                                                                                                                                                                                             |    |                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------------|
| Gross Dividends other than Preference Dividends (Unfranked) from companies resident in Jamaica (Transfer to Section F, Line 1)                                                                                                                              | 26 | 0.00           |
| <b>Total Income from all Sources</b> (Section B, Add Lines 25 and 26)                                                                                                                                                                                       | 27 | 242,000,000.00 |
| Total Gross Wages and Salaries paid                                                                                                                                                                                                                         | 28 |                |
| <b>Section C - EXEMPTIONS AND FRANKED INCOME</b>                                                                                                                                                                                                            |    |                |
| Gross Dividends other than Preference Dividends (Franked Income) from companies resident in Jamaica (Transfer from Section B, Line 13)                                                                                                                      | 1  | 0.00           |
| Exemptions                                                                                                                                                                                                                                                  | 2  | 0.00           |
| <b>Total Exemptions and Franked Income</b> (Section C, Add Lines 1 and 2)                                                                                                                                                                                   | 3  | 0.00           |
| <b>Total Income from All Sources excluding Gross Dividends other than Preference Dividends (Unfranked Income) less Exemptions and Franked Income</b> (Section B, Line 25 less Section C, Line 3)                                                            | 4  | 242,000,000.00 |
| <b>Section D - DEDUCTIONS AND CHARGEABLE INCOME</b>                                                                                                                                                                                                         |    |                |
| Capital Allowances (Complete Schedule 2) See Notes                                                                                                                                                                                                          | 1  | 23,000,000.00  |
| Covenanted Donations (Complete Schedule 4 and proof of covenant)                                                                                                                                                                                            | 2  | 0.00           |
| <b>Total Income from All sources excluding Gross Dividends other than Preference Dividends (Unfranked Income) less Exemptions and Franked Income, less [Capital Allowances and Covenanted Donations]</b> (Section C, Line 4, less Section D, Lines 1 and 2) | 3  | 219,000,000.00 |
| Allowable Loss (Transfer from Section E, Line 4)                                                                                                                                                                                                            | 4  | 0.00           |
| Other Donations (Restrict to Section B, Line 26 plus Section D, Line 3 less Line 4*[5/105])                                                                                                                                                                 | 5  | 0.00           |
| <b>Total Deductions</b> (Section D: Add Lines 1, 2, 4 and 5) (Complete Schedule 4) (See Notes)                                                                                                                                                              | 6  | 23,000,000.00  |
| <b>Chargeable Income excluding Gross Dividends other than Preference Dividends (Unfranked Income)</b> (Section D: Line 3 less Lines 4 and 5) (Transfer to Section F, Line 2)                                                                                | 7  | 219,000,000.00 |
| <b>Section E - AVAILABLE LOSSES</b>                                                                                                                                                                                                                         |    |                |
| Losses brought forward from previous years                                                                                                                                                                                                                  | 1  | 0.00           |
| Current Loss (Equals Section D, Line 3* (-1) if Section D, Line 3 is negative)                                                                                                                                                                              | 2  | 0.00           |
| <b>Total losses available</b> (Section E, Add Lines 1 and 2)                                                                                                                                                                                                | 3  | 0.00           |
| Allowable Loss: (Is trade or business within the first 6 years of operation OR is Gross Sales less than \$10,000,000.00?) <input type="checkbox"/> Yes <input type="checkbox"/> No (See Note 1 below)                                                       | 4  | 0.00           |
| <b>Total losses available to carry forward</b> (Section E, Line 3 less Line 4)                                                                                                                                                                              | 5  | 0.00           |
| <b>Note 1</b> If "Yes" - Allowable Loss is restricted to Section D, Line 3.<br>If "No" - Allowable Loss is restricted to 50% of the profits as a result of Section D, Line 3.                                                                               |    |                |
| <b>Section F - TAX COMPUTATION</b>                                                                                                                                                                                                                          |    |                |
| Gross Dividends other than Preference Dividends (Unfranked) from companies resident in Jamaica (Transfer from Section B, Line 26)                                                                                                                           | 1  | 0.00           |
| <b>Chargeable Income excluding Gross Dividends other than Preference Dividends (Unfranked)</b> (Transfer from Section D, Line 7)                                                                                                                            | 2  | 219,000,000.00 |
| Tax on Chargeable Income (Transfer value from Section F, Line 2)                                                                                                                                                                                            | 3  | 219,000,000.00 |
| Tax payable on Dividends other than Preference Dividends by Group Members holding a minimum of 25% voting rights (See Notes)                                                                                                                                | 5  | 0.00           |
| Tax Payable on Dividends other than Preference Dividends (Unfranked) from companies resident in Jamaica. (Section F, Line 1 less Line 5)                                                                                                                    | 7  | 0.00           |
| <b>Total Tax Payable on Chargeable Income</b> (Section F, Add Lines 4, 6 and 8)                                                                                                                                                                             | 9  | 73,000,000.00  |
| <b>Non-Refundable Tax Credits (Attach Supporting Documents where applicable)</b>                                                                                                                                                                            |    |                |
| Double Taxation Relief (Restrict to tax associated with income at Section B, Line 22)                                                                                                                                                                       | 10 | 0.00           |
| Tax Relief in respect of other Incentive Income                                                                                                                                                                                                             | 11 | 0.00           |
| Contractors Levy (Upload Supporting Documents)                                                                                                                                                                                                              | 12 | 0.00           |
| Corporate Tax Credit                                                                                                                                                                                                                                        | 13 | 0.00           |
| Employment Tax Credit (ETC) (Complete Schedule 7)                                                                                                                                                                                                           | 14 | 0.00           |
| Tax Deducted from Gross Dividends other than Preference Dividends from companies resident in Jamaica (Unfranked)                                                                                                                                            | 15 | 0.00           |
| Other Non-Refundable Tax Credits (Upload Supporting Documents)                                                                                                                                                                                              | 16 | 0.00           |
| <b>Total Non-Refundable Credits</b> (Section F, Add Lines 10, 11, 12, 13, 14, 15 and 16)                                                                                                                                                                    | 17 | 0.00           |
| <b>Tax on Chargeable Income less Non-Refundable Tax Credits</b> (Section F, Line 9 less Line 17; Restrict to Zero)                                                                                                                                          | 18 | 73,000,000.00  |

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**DISCLAIMER:** This Advisory is a guide only and is not a substitute for the Income Tax Act, Microcredit Act, Assets Tax (Specified Bodies) Act or any other relevant legislations.

## TECHNICAL ADVISORY

### Tax Treatment for Microcredit Institutions now regulated by the Bank of Jamaica

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## Exhibits

### I. The Income Tax Act (Extracts)

#### ***Section 2 – Interpretation***

*“regulated company” means a company, other than a company referred in section 30(1)(b)(vi) and (vii)(B)<sup>1</sup>, that is regulated by any of the following –*

- (a) the Financial Services Commission;*
- (b) the Office of Utilities Regulation;*
- (c) the Bank of Jamaica*
- (d) the Minister with responsibility for finance;*

### II. The Microcredit Act, 2021 (Extracts)

#### ***Section 2 – Interpretation***

“bank” means the Bank of Jamaica established by section 3 of the Bank of Jamaica Act;

“microcredit institution” means a company that is licensed under this Act to provide a microcredit service to individuals or MSMEs or both;

“microcredit service means—

- (a) any one or more of the following services—
  - (i) the granting of credit facilities to individuals or MSMEs or both; and
  - (ii) the provision of business advisory services (not including the advice relating to the financial services regulated by the Financial Services Commission) to individuals or MSMEs or both; or
- (b) any other activity designated by the Supervisor as a microcredit service and approved by the Minister, by order, subject to affirmative resolution,

but does not include receiving deposits from the public or banking business, within the meaning of the Banking Services Act;”

“MSME” means a micro sized enterprise, a small sized enterprise and a medium sized enterprise as described in Part B of the First Schedule.

“Regulatory Authority” means the Bank or any other entity or person as may be designated by the Minister by notice published in the Gazette;

“Supervisor” has the meaning assigned to it in section 2 of the Banking Services Act;

“Supervisory Department” means the department in the Bank established under Part VA of the Bank of Jamaica Act;.....

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<sup>1</sup> Amended as per Income Tax (Amendment) Act 2025