

TAX ADMINISTRATION JAMAICA (TAJ)

Changing the way we do business

*Fiscal Incentives
Super Form
S03 for Self-employed Persons
Charities Act*

From: Commissioner General TAJ
To: Our Valued Stakeholders

It is the start of a new calendar year and a time when a number of changes will be taking place in tax administration.

The implementation of the Fiscal Incentives Act and other Tax Reforms will be rolled out during this quarter. It is important to note that the fiscal incentives is a culmination of critical work achieved through public/private sector partnership.

Going forward, TAJ will be developing and strengthening partnership arrangements with various stakeholders. This includes operating more closely as a "joined up" government with other agencies to provide our valued customers with greater access to more convenient service options.

Our focus remains on SERVICE, EDUCATION and ENFORCEMENT to achieve our mandate. As such TAJ is using several strategies aimed at engaging our valued stakeholders, as enforcement is a last resort.

TAJ pledges its continued commitment to improving service. We are expanding our service options and promoting the use of e-services, which are more convenient and cost effective.

We implore you to work more closely with us as we continue working together to serve your EVEN better.

*Ainsley Powell
Commissioner General (Acting)*

FISCAL INCENTIVES

A MOF/TAJ technical team worked in support of a private sector led Incentives Working Group to craft a fiscal incentives regime, which has now been legislated. The components of the incentives and reform are:

- ⇒ Corporate Income Tax Rate Reform
- ⇒ Capital Allowance Reform
- ⇒ Caps Imposed on Utilisation of Tax Losses Carried Forward
- ⇒ Employment Tax Credits (ETC)
- ⇒ ETC Claw-back System
- ⇒ Income Tax Relief: Large Scale Projects & Pioneer Industries
- ⇒ Tariff Reform
- ⇒ Productive Inputs Relief

We will be looking more closely at the income tax reforms which take effect **January 1, 2014** and are administered by TAJ.

Corporate Income Tax Rate Reform

- ⇒ **Regulated Companies:** the existing CIT rate of 33⅓% will be maintained.
- ⇒ **Unregulated Companies:** the CIT rate of 25% will apply.
- ⇒ **Junior Market:** tax relief will be maintained through 2016, with modification.

Caps on Tax Losses Carried Forward

Tax losses will continue to be carried forward indefinitely. However taxpayers will be allowed to offset **no more than 50% of the chargeable income** (before taking into account the losses) in any year. Losses from an approved farming activity may also be used to set off income from other sources. This too will be subject to the 50% limitation.

However, the cap will not apply:

- (a) to a business for the five years of assessment following the first year of operation of a new trade, profession or business; or
- (b) where the taxpayer's gross revenue from all sources for the relevant year of assessment is less than J\$3m.



The Hon. Peter Phillips, Minister of Finance and Planning addressing a symposium on the Fiscal Incentives

Employment Tax Credit

Persons engaged in a trade, vocation or profession, are now entitled to claim a non-refundable Employment Tax Credit (ETC) when computing their income tax liability. However to qualify for the credit, the eligible persons **MUST** file and pay their monthly statutory payroll deductions (S01) on time.

The ETC which may be claimed is the total amount of payroll statutory contributions for Education Tax, NHT, NIS and HEART (both employee and employer portions), which have been declared and paid on time for that year.

However, it should be noted that the ETC is restricted to 30% of the tax chargeable on the company's or trader's income. Additionally the ETC may not be claimed against any income tax chargeable on non-trading income, such as interest and dividend income. Such income will continue to be liable to tax at applicable rates.

The following taxpayers are NOT eligible for the ETC:

- ⇒ Regulated companies
- ⇒ Taxpayers who opted to remain under a repealed legislation (continuing beneficiary)
- ⇒ Taxpayers operating under a current tax incentive - not being repealed.

ETC Claw Back

Where a company which has claimed an ETC makes a distribution of profits (within the meaning of the Income Tax Act), it shall be liable to a claw-back of ETC claimed equivalent to:

- ⇒ 10% of the distribution made; less
- ⇒ the amount of income tax assessable on the distribution (net of any exemption or relief available, including double taxation relief);

FISCAL INCENTIVES (cont'd)

Provided that where the amount of income tax assessable exceeds 10% of the distribution, the amount of the claw-back shall be nil.

Notwithstanding the above, any claw back of ETC shall not exceed the aggregate ETC claimed by the company (and which has not been previously clawed back).

Capital Allowance Reform

Amendments have been made to the capital allowance regime to apply to assets purchased **on/after** January 1, 2014. Any capital expenditure incurred prior to January 1, 2014 will be subject to the previous prescribed rates.

The key changes include:

- ⇒ Expanding the definition of industrial buildings, (which qualify for a 20% initial allowance) to include:
 - building or structure used directly in the production of primary products;
 - hotel licensed by Jamaica Tourist Board (JTB);
 - hospital and certain other healthcare facilities (as defined);
 - multi-storey car park;
 - building located in an Export Free Zone area designated as such by the Jamaica Export Free Zones Act;
 - building or structure constructed pursuant to a public-private partnership arrangements
- ⇒ Increasing the rate of initial allowance for machinery used directly in the production of primary products or in the manufacture and automated packaging of goods as well as automatic data processing equipment, etc.
- ⇒ Significantly reducing the number of asset categories and associated write-off rates for capital allowance purposes.
- ⇒ Standardisation of write-off rates on a straight-line basis and discontinuance of initial allowances on most categories of plant.
- ⇒ Enhancing the write-off rates of non-industrial buildings (from 2.5% reducing balance to 4% straight-line)
- ⇒ Increasing the allowable base cost,

on which annual allowances are calculated, for private motor vehicles, to the Jamaican dollar equivalent of US\$35,000.

- ⇒ Extension of tax relief by way of capital allowances for capital expenditure on a list of intellectual property rights including pure or applied scientific research otherwise than in connection with a trade.
- ⇒ Repeal of the various incentivised allowances included within the First Schedule of the Income Tax Act with effect from 1 January 2014.

Income Tax Relief: Large Scale Projects & Pioneer Industries

The Income Tax Relief (Large-Scale Projects & Pioneer Industries) Act provides a structured and transparent mechanism through which additional income tax incentives can be offered in circumstances where the Minister of Finance designates a project as a large-scale project or an economic activity as a pioneer industry.

- ⇒ Designation subject to the affirmative resolution of Parliament.
- ⇒ Participants in either a designated large-scale project or a pioneer industry may subsequently be approved by Ministerial Order which will stipulate the extent of relief granted.
- ⇒ The maximum amount of income tax relieved under all orders issued pursuant to this mechanism shall not exceed 0.25% of the country's Gross Domestic Product (GDP) for the previous financial year.

General

The introduction of the recent tax incentives and reforms has established a more competitive business tax regime. It offers greater incentives to be compliant, minimises tax-induced increases in production and cost of doing business. Unregulated entities which avails of the ETC can reduce their effective CIT rate (to as low as 17.5%). This is a win-win situation for employers, employees and the Consolidated Fund.

Information sessions will be held and related documents posted on www.jamaicatax.gov.jm

Capital Allowance Schedule Update

Categories	Initial Allowance Rate	Annual Allowance Rate
Buildings:		
Initial Allowance:		
Industrial buildings	20%	See below
Non-industrial buildings	0%	See below
Annual Allowance (All Commercial Buildings):		
a. Buildings & structures primarily constructed of concrete, steel, brick, stone, cement or similar materials.	0%	4%
b. Buildings & structures primarily constructed of other inorganic materials such as galvanized iron, corrugated metal or similar materials.	0%	10%
c. Buildings & structures primarily constructed of wood or other organic materials.	0%	12.5%
Plant & Machinery:		
Machinery directly used in the production of primary products or the manufacture or automated packaging of goods.	25%	12.5%
Automatic data processing equipment, calculators, cash registers and other equipment falling within Tariff Headings 84.70 and 84.71, and parts thereof	25%	20%
Equipment falling within Tariff Headings 84.69, 84.72, as well as parts/accessories thereof. Telephones and other equipment falling within Tariff Heading 85.17 as well as parts and accessories thereof	0%	20%
Other plant and machinery (excluding motor vehicles)	0%	12.5%
Motor Vehicles:		
a. Private motor vehicle based on a cap of US\$35,000	0%	12.5%
b. Trade vehicle, including	0%	20%
c. Rent-a-car/Tour Bus/Public Passenger Vehicle (PPV)	0%	20%
Research & Development:	n/a	20%
Intellectual Property Rights:		
General	0%	<u>1</u> Lower of 14 yrs and the period rights may be used
Expenditure less than J\$1M		5 years



ACCESSING FISCAL INCENTIVES

The Fiscal Incentives Act

The Fiscal Incentives Act has repealed several other laws which granted tax incentives to certain sectors of the economy. At the same time, it allows taxpayers who operate under those incentives laws to decide whether they wish to continue to enjoy their incentives until the end of their incentive period or to make the transition to the benefits offered by the new Act.

Repealed Laws

The following laws have been repealed:

- ⇒ The Export Industry Encouragement Act
- ⇒ The Hotels (Incentives) Act
- ⇒ The Resort Cottages (Incentives) Act
- ⇒ The Petroleum Refining Industry (Encouragement) Act
- ⇒ The Shipping (Incentives) Act
- ⇒ The Cement Industry (Encouragement) Act
- ⇒ The Motion Picture Industry (Encouragement) Act
- ⇒ the Industrial Incentives Act;
- ⇒ the Industrial Incentives (Factory Construction) Act;
- ⇒ the Foreign Sales Corporation Act;
- ⇒ The International Finance Companies (Income Tax) Relief Act;

In addition to the above, in relation to Approved Farmers, sections 5(6) and 36D of the Income Tax Act have been deleted.

Grandfathering

The incentive provisions of repealed Acts may be retained (i.e. grandfathered), allowing the taxpayer to continue, if he so chooses, to access the benefits offered under that incentive law for the remainder of the concession period.

Continuing Beneficiary

A person, including an Approved Farmer, who opts to continue to operate under a repealed law or provision is referred to as a "Continuing Beneficiary". Continuing beneficiaries will not be entitled to the new Employment Tax Credit.

Notification to terminate benefits under a repealed law

To terminate benefits under a repealed law, the continuing beneficiary must inform the Commissioner General (CG), in writing, stating the date of that decision. Once terminated, the continuing beneficiary will no longer be entitled to tax incentives that were available under the repealed law.

To continue to operate under a repealed law, there is no requirement to notify the CG.

When does the Taxpayer's election take effect?

- ⇒ for the purposes of the Income Tax Act, from the first day of the year of assessment in which the election is made;
- ⇒ for the purposes of the General Consumption Tax Act, from the first day of the taxable period which begins after the date when the election is made;
- ⇒ for the purposes of other revenue laws, from the date when the election is made

Special arrangements in respect of General Consumption Tax

Where a person operating under the Hotels (Incentives) Act or the Resort Cottages (Incentives) Act chooses to make the transition to the new incentive regime he will be able to continue to charge GCT at the current rate of 10% on tourism supplies.

Where a person operating under the Hotels (Incentives) Act or the Resort Cottages (Incentives) Act has not made an election, by July 1, 2014, to give up the tax incentive given by those Acts, then effective July 1, 2014, he/she should charge GCT on tourism supplies at the standard rate of 16.5%.

Approved Farmers

Where a taxpayer, who is an approved farmer elects to continue under the repealed provision, section 36D will continue to apply to that person until the end of his period of designation, or until the Order which designated him has been revoked.

TAJ NEWS IN BRIEF

TAJ BOARD OF DIRECTORS

As Tax Administration Jamaica (TAJ) takes another step to becoming a semi-autonomous revenue authority, the Board of Management of TAJ has been appointed as follows:

- ⇒ **Mr. Novar P. McDonald**
(Chairman)
- ⇒ **Mr. Everton McFarlane**
- ⇒ **Ms. Lois Walters**
- ⇒ **Ms. Wendy Lyttle**
- ⇒ **Mr. Oral Pasco**
- ⇒ **Mr. Errol Miller**
- ⇒ **Mr. Peter Melhado**
- ⇒ **Ms. Gina Phillips Black**

The Commissioner General, TAJ is an ex-officio Board member.

ARREARS WRITE-OFF POLICY

The Tax Collection (Write-Off) Regulations 2013 sets out the criteria to be used by the CG in the determination of the collectability of a tax debt. TAJ is now carrying out its due diligence to determine cases eligible for write-off, based on the Regulations. A Committee will then review the cases identified, before referral to the Minister of Finance.

NOTE: Write-off is NOT to be applied for as it is NOT a waiver.

CHARITIES ACT

Under the new Charities Act, ALL charities are required to be re-registered by the Department of Cooperative and Friendly Societies, who will then issue a **Registration Certificate**. This will give the charity tax exemption across several tax types. The Charitable Organisation Certificates previously issued by TAJ, under the Harmonisation of Charities Act will expire on **January 31, 2014**.



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Third Party Information



Meris Haughton (right) - Director Communications, TAJ in discussion with fellow presenters at a 2013 ICAJ Tax Seminar, where she presented on the Revenue Administration Act, 2013 which gives the Commissioner General authority to request third party information. (ICAJ photo)

Tax Administration Jamaica (TAJ) is set to implement third party information provisions of the Revenue Administration Act, 2013 on a phased basis. In the new financial year, starting April 2014, businesses in selected sectors will be required to submit information relating to their depositors, independent contractors, suppliers and business customers.

In this first phase of the upcoming third party information requirement selected sectors will be invited to submit third party information.

The strategy is being implemented in an effort to widen the tax net and to allow the department to better identify under-reporting. The information gathered will be used to support compliance strategies for 2014/15, in determining the accuracy of returns and to identify non-filers and stop-filers, who should be paying taxes.

Companies, self-employed individuals and partnerships, as well as employed persons who have additional sources of income are cautioned to file a true assessment of their business activities for GCT, payroll and income tax

purposes. Greater scrutiny will now be carried out on all returns filed.

Before finalizing the strategy, contact will be made with the selected groups and taxpayers to sensitise them of the new requirements. TAJ is currently preparing to hold meetings with the various sector groups, through their associations. Meetings will also be held with specific entities which are not represented by an association.

Letters are being prepared to send out to the sector groups and individual large companies to begin the engagement.

Subsequent to these discussion with stakeholders, formal requests for the data will be sent.

Recent amendments to the Revenue Administration Act of 2013 gives the Commissioner General of Tax Administration Jamaica the authority to request third party information from companies, other businesses, as well as government ministries, departments or agencies.

OUR TAJ HEROES



One lucky taxpayer is singing the praises of God after going through a particularly frightening ordeal, and was rescued by officers of the Old Harbour Tax Office.

The officers had gone to the taxpayer's residence to serve a summons, but quickly realised the resident was in distress, as she was gasping for breath.

They got her to throw the key to the them so they could enter the premises, as the grille was locked. Upon entering, the officers saw that she had fainted. They carried her out of the house and sought medical attention for her.

Today, the taxpayer is thankful for the intervention of the officers, despite the circumstances of their visit to her home. She noted that they were kind and compassionate, and that they checked in with her, after the episode, to ensure that she was well.

She described them as having 'hearts of gold'. "God ah God", she said. "They were in the right place at the right time."

The officers, Ryan Samuels, Simone Clarke and Phillip Thomas, said it was a scary situation, but they had to act as it was clear the woman was in need of assistance. They each remarked how fortunate it was that they were there during her time of need, and were able to help her. They were pleased to know they were 'just in the right place at the right time'. And they were that they were able to assist and that the outcome was favourable.

Excerpt Jamaica Gleaner - Dec 13, 2013

March 1, 2014

MANDATORY E-FILING OF RETURNS



HAVING TROUBLE E-FILING?

Call our Customer Care Centre TODAY

1-888 - TAXHELP (829 - 4357) / www.jamaicatax-online.gov.jm

2013

News You May Have Missed

JANUARY

TRN Requirement for Overseas Transactions took effect **January 1**. Now persons residing or operating from overseas must have a Taxpayer Registration Number (TRN) to transact business with the tax authority in Jamaica. This includes persons processing transactions, such as land transfers and mortgages, through the Stamp Duty and Transfer Tax Section of TAJ.

Income Tax Threshold increased from \$441,168 to **\$507,312 on January 1**.

Corporate Income Tax rate decreased from 33% to 25% for unregulated companies on **January 1**. The rate for companies regulated by the FSC, OUR, BOJ and MOFP remains at 33%.

MARCH

New filing date and regulations for **Asset Tax Returns** took effect **March 15**. Companies are now required to submit their Asset Tax Return by March 15.

On **March 28**, the **Tax Administration Jamaica Act, 2013** was passed, paving the way for TAJ to become a semi-autonomous revenue authority. As such TAJ would no longer be a department under central government.

APRIL

New Property Tax rates took effect **April 1**.

Education Tax rates increased April 1. Now Employees and self-employed persons pay 2.25%, while employers pay 3.5%.

A new look Motor Vehicle Registration Certificate with added security features was unveiled **April 2**.

JULY

On **July 11** the **Revenue Administration Act (RAA), 2013** was amended giving greater information gathering powers to TAJ, including greater access to third party information, and information from other Government Ministries, Department and Agencies.

New procedures relating to certifying Charities took effect **July 15** with the enactment of The Charitable Organizations (Tax Harmonization) (Miscellaneous Provisions) Act 2013, commonly referred to as the Harmonization Act. Approved Charitable Organisations were able to apply for a single Charitable Organisation Certificate to be used as their "passport" to exemptions across several tax acts.

SEPTEMBER

Property Tax Query Online option added to TAJ website in

September to allow property owners to check their property tax status. Persons may now enter their valuation number and get a printout of the status of the last seven (7) years.

OCTOBER

In **October** TAJ announced **mandatory e-filing** for specific groups to take effect in March 2014. A programme was implemented for TAJ Taxpayer Education Teams and Client Relationship Managers to work with the identified groups of taxpayers to train them how to use the online system.

Stamp Online service implemented in **October**. Online payments and tracking the status of certain transactions can be done online via the Jamaica Tax Portal.

DECEMBER

In **December** TAJ announced that a **consolidated quarterly statutory payment form (S03)** will be introduced for self-employed persons in 2014. This will capture payment for estimated income tax, education tax, NHT and NIS.

TAJ had a Voluntary Compliance Drive in December. TAJ team members went into business communities across the island, to interact with the public, hand out flyers and encourage compliance.



14th DAY OF EACH MONTH

Pay & file **EMPLOYER'S MONTHLY STATUTORY REMITTANCE OF PAYROLL DEDUCTIONS (S01)**

LAST DAY OF EACH MONTH

Pay & file **GENERAL CONSUMPTION TAX (GCT) RETURN**

MARCH 15th

Pay and file **FINAL INCOME TAX RETURN** for previous year.

File **ESTIMATED INCOME TAX RETURN** for current year.

File **ASSETS TAX RETURN** (companies)

MARCH 15th, JUNE 15th, SEPTEMBER 15th & DECEMBER 15th

Pay estimated Income Tax quarterly payments

Pay **QUARTERLY STATUTORY payments - S03** (self-employed persons)

MARCH 31ST

File **EMPLOYER'S ANNUAL RETURN (S02)**

APRIL 1ST

Pay **PROPERTY TAX**



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Introducing ONE STOP BUSINESS REGISTRATION

"SUPER FORM"

JANUARY 2014

NEW LIMITED COMPANIES

PURPOSE:

The Business Registration Form "The super form" (BRF 1) allows for "One Stop Registration" at one government agency instead of multiple government offices. The aim of the form is to collect all information required to be given by the business owner to various offices at one focal point.

USE:

The Super form is only applicable to locally incorporated companies; it does not apply to companies incorporated outside of, but registered in Jamaica.

BENEFITS:

The "Super form" is more convenient in saving you time and cost, by visiting only the Companies Office of Jamaica.

WHAT YOU GET WHEN INCORPORATED WITH THE SUPER FORM

- The Certificate of Incorporation
- NIS, TRN, GCT
- NHT, HEART Registration
- TCC (Tax Compliance Certificate)

THE CERTIFICATE OF INCORPORATION

Will now have the NIS, TRN and GCT Numbers at the base of the Certificate.

The Tax Compliance Certificate (TCC)

The Tax Compliance Certificate issued by the Companies Office will be valid for 90 days. At the expiration of the 90 days, a new TCC may be obtained from Tax Administration Jamaica.

GCT Registration

A GCT Data sheet will be issued along with the Certificate of Incorporation.

WHAT YOU NOW
NEED WHEN
INCORPORATING A
LOCAL COMPANY

COMPANY INCORPORATION PACKAGE:

1. The Business Registration Form (BRF 1) "Super form".
2. The Articles of Incorporation (Form 1A, 1B, 1C or 1D): Stamp Duty applies to this document and stamping is done at the Companies Office.
3. An original valid government issued identification of the Principal Director and the person declaring to the accuracy of the form.
4. Arrival documents for TCC applicants (eg. Bill of Lading).

IMPORTANT!!

Director and Company Secretary details are NOW mandatory at incorporation.

IMPORTANT NOTE: Customers with new incorporation applications (Articles of incorporation on Form 1A, or 1B, or 1C, or 1D, with Forms 2, 17, 20, 23,) which were rejected and are being resubmitted on or after December 31, 2013 will be required to complete the BRF and resubmit with the ARTICLES.

COST TO REGISTER

THERE ARE NO ADDITIONAL FEES WHEN USING THE "SUPER FORM". THE COST TO INCORPORATE A NEW COMPANY HAS NOT CHANGED.

For further information please contact us:

COMPANIES OFFICE OF JAMAICA

1 Grenada Way, Kingston 5 | Tel: 876-908-4419-24 • Fax: 876-960-7152
Email: info@orcjamaica.com • Website: www.orcjamaica.com

TAXES DUE: MARCH 15

BE STRESS FREE, AVOID THE RUSH!

- File Income Tax Return & Payment (2013)
- Estimated Income Tax Return (2014)
- Income Tax First Quarter Instalment Payment (2014)
- *Assets Tax Returns (Not yet available online)



FILE & PAY YOUR TAXES
ONLINE, ONTIME
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New & Revised



SELF-EMPLOYED QUARTERLY STATUTORY PAYMENT (S03)

The new S03 form, which is to be used by self-employed individuals to pay estimated income tax, Education Tax, NHT and NIS, is now in effect. The 1st quarterly payment using the new S03 is due March 15. Forms and additional information are available in a hub on TAJ's website www.jamaicatax.gov.jm.

INCOME TAX RETURNS

Income Tax Returns IT01 - IT05 and IT07 have all been revised to reflect recent changes to tax and dividends rates, as well as to capture additional information. This will make it easier for TAJ to process tax returns.

The IT02 now requires companies to indicate if they are categorized as regulated, large unregulated or unregulated.

All the income tax forms now carry a separate line for partnership income. In addition, contact details of the tax preparer is now required on the form.

The new forms are available online - www.jamaicatax.gov.jm.

FOR MORE INFORMATION

Tax Administration Jamaica (TAJ) would be pleased to provide you with more information about our programmes, projects, time lines, plans and contract opportunities. If you are interested, please contact:

Communications Unit
PCJ Building (4th Floor), 36 Trafalgar Road,
Kingston 10, Jamaica, W.I.,

CUG: 577-9417, Tel.: 754-6700 or 922-8742, Fax: 754-9593, email: communications@taj.gov.jm

We will continue to engage our stakeholders in discussions and provide regular updates.