

Tax Administration Jamaica
**National Compliance
Plan 2017/18**



Tax Administration Jamaica
Working together to serve you **EVEN** better

To the extent that we can influence and control, we aim to make tax administration fair, efficient and sustainable so that taxation is recognized and valued as a necessary function in Jamaica and taxpayers develop the urge to voluntarily comply.



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Vision Statement

A World-Class Tax Administration

Mission Statement

To collect the revenues due in an equitable and cost effective manner, foster voluntary compliance, provide excellent service to our customers through an engaged and empowered staff.

Core Values

Our values are the fundamental beliefs every employee of Tax Administration should follow as they are the foundation of our vision. They will guide our decisions, behaviours and actions in relating to our taxpayers, stakeholders and each other. Inculcating these values will be a priority in the development of our culture of excellence.

TAJ's performance will be assessed by both our results and behaviours which will contribute to the realization of our vision of becoming

***“A World-Class
Tax Administration”***



Glossary

CIT	Company Income Tax
CCC	Customer Care Centre
CTMS	Central Treasury Management System
EdTax	Education Tax
FDMU	Forensic Data-Mining Unit
FID	Financial Investigation Division
FY	Financial Year
GART	Guest Accommodation Room Tax (i.e. hotel room tax)
GCT	General Consumption Tax
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
IIEU	Intelligence, Investigation & Enforcement Unit
IIT	Individual Income Tax
JCA	Jamaica Customs Agency
LTO	Large Taxpayer Office
MBT	Minimum Business Tax
MOCA	Major Organized Crime and Anti-Corruption Agency
MOU	Memorandum of Understanding
MSME	Micro, Small and Medium Enterprises
NCP	National Compliance Plan
NHT	National Housing Trust

OCID	Organized Crime Investigation Division
PAYE	Pay As You Earn (via withholding by employers)
PIOJ	Planning Institute of Jamaica
PIT	Personal Income Tax (i.e. Individual Income Tax (IIT))
RAA	Revenue Administration Act
RAiS	Revenue Administration Information System
RSCs	Revenue Service Centres
RVP	Registration Verification Programme
SCT	Special Consumption Tax (i.e. Excise Tax)
STCT	Special Telephone Call Tax
STAP	Special Taxpayer Assistance Programme
STATIN	Statistical Institute of Jamaica
STEP	Schools Tax Education Programme
TAJ	Tax Administration Jamaica
TCC	Tax Compliance Certificate
TPD	Third Party Data
TRN	Taxpayer Registration Number
WHT	Withholding Tax
YTD	Year to Date
YA	Year of Assessment

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Mr. Ainsley Powell
Commissioner General

Message from the Comissioner General

The National Compliance Plan (NCP) is critical to the operations of Tax Administration Jamaica (TAJ) as it outlines, at the highest level, the compliance approach we have adopted in our effort to improve voluntary compliance with tax laws. The NCP forms a critical part of the overall development of the Operations of TAJ. It effectively forms the basis for compliance in the efficient administration of the tax system, focusing on improving voluntary compliance and reducing the costs of compliance.

The compliance focus areas for Financial Year (FY) 2017/18, will guide TAJ in ensuring that current revenue collection levels increase, while ensuring there is an overall improvement in taxpayer compliance. These areas are consistent with TAJ's strategic objectives of improving voluntary compliance and public confidence in overall Tax Administration. The Compliance Plan will rely heavily on the Operational areas as it serves as a focal point for programme development in formulating the operational plans for the overall improvement of compliance. Some of the focal points and compliance strategies that TAJ will pay particular attention to involves:

- Management of Compliance Risks
- Improving the Health of the Tax System
- Heightened engagement with compliance resources and strengthened intelligence gathering
- Research on topical International compliance issues
- Tax compliance gap analysis
- Analysis of third party information

The strengthening of TAJ's Compliance strategies is an important component of the NCP. TAJ's Tax Compliance Model is one such component and is built on three pillars: Service, Education and Enforcement. These pillars form the backbone of the NCP and are important to the overall framework of compliance. These are defined as: Service: to make compliance activities simple, easily accessible and of high quality, thus improving compliance and reducing the administrative cost of compliance; Education: to assist stakeholders in understanding their tax obligations and rights to ensure compliance with tax laws, Enforcement: to detect and deter potential non-compliance and ensure that sanctions are proportional to the offence.

As we did last year, we commit to sharing our vision by externally publishing our National Compliance Plan as we seek to inform taxpayers and our other stakeholders of TAJ's refreshed approach to meeting our mandate of administering domestic taxes "to collect the revenues due in an equitable and efficient manner...as we strive to achieve the highest level of voluntary compliance".

As Tax Administration Jamaica works towards realising its vision to become a World Class Tax Administration, let us continue to embrace the organization's mantra 'working together to serve you EVEN better'. This will contribute to a competitive business environment and facilitate economic growth and development which will further take us down the road in realising a Tax Compliant Jamaica.

Acknowledgement

The National Compliance Plan benefitted from the contributions of several members of the TAJ team, whose roles were critical in the compilation of material and information necessary for the completion of the Plan. The Strategic Services Division is responsible for the development of the Plan, however, the guidance, expertise and insight received from other members of TAJ's esteemed staff has improved the quality of the final product.

We are grateful for the technical expertise received, as this invaluable support formed the basis of data management, statistical analysis and document preparation. We are as well immensely grateful for the exemplary guidance, valuable feedback and constant encouragement received from the members of the TAJ Board. Together we will realize the ultimate goal of the National Compliance Plan (NCP) of increasing and maintaining voluntary compliance in Jamaica.

EXECUTIVE SUMMARY

2017/18 National Compliance Plan

Tax Administration Jamaica (TAJ) continues to realise excellent results in publishing its National Compliance Plan for the third successive year. The 2017/18 National Compliance Plan highlights various compliance strategies and will address in a structured manner steps to identify, assess, quantify and prioritise risks to the tax system and develop appropriate mitigation actions. With this in mind, TAJ will continue to implement its compliance strategies intended to promote voluntary compliance as well as increase public confidence in the tax system. TAJ will also evaluate the FY 2016/17 performance and outline the compliance focus for financial year (FY) 2017/18.

Tax Administration Jamaica: Working Together to Serve EVEN Better

TAJ is now operating as a Semi-Autonomous Revenue Authority (SARA) and has changed the way we do business by streamlining our processes and reengineering our operations. We have made significant changes to our culture, processes and technology. We have improved and streamlined our processes and tax continues to play a vital role in the country's economic development strategy. To this end, several comprehensive administrative tax reform changes to the new TAJ have been achieved with the help of our most invaluable resource – our staff. This is why considerable effort is placed on developing the skills and technical capacity of our workforce through the provision of training opportunities. Technical support and developmental programmes have been accessed locally, regionally and internationally to ensure the organisation maintains standards while exposing staff to best practices. Further, members of staff in specialised areas continue to be provided with cutting-edge equipment to bolster tax collection operations.

Changing the Way we do Business

TAJ will continue to place its customers at the forefront and further ensure the provision of quality service which will stimulate voluntary compliance. We will continue to streamline our operations, create new and innovative ideas, and channel our communication methods to improve the overall Tax Administration Jamaica. Change is constant and should be embraced, therefore it is imperative that we continue to plan ahead, think 'outside the box' and adapt to our ever-changing environment. We will pay particular attention to:

- **Compliance Priorities:** will be focused on a multi-faceted approach and at its core is the eServices platform which will be used to stimulate voluntary compliance. To facilitate the increased push in eServices "eTax Spots" were established at select Tax Offices and education programmes were conducted during FY 2016/2017.
- **Compliance Approach:** to engender a culture with the Jamaican populace through education and information sharing to further increase taxpayer obligation compliance. Through taxpayer advisory visits conducted, taxpayers receive personalised assistance and guidance in tax related matters. This will further enable them to become better educated and help them to be better able to meet their tax obligations.
- **Compliance Risk treatment Strategies:** Forensic data mining and information gathering are critical to any tax jurisdiction as it relates to detecting non-compliance. It therefore means access to accurate and timely data is the lifeblood of the tax authority to successfully administer an efficient taxation system.

This therefore means that for FY 2017/2018, TAJ will continue to focus on implementing compliance strategies that will heighten engagement with compliance resources as well as strengthen intelligence gathering which will result in risk assessments being carried out across taxpayer segments.

Let us keep focussed on achieving our vision of becoming a "World Class Tax Administration", as we contribute to the nation-building and the development of a tax compliant Jamaica.

1.0 INTRODUCING Tax Administration Jamaica

Tax Administration Jamaica (TAJ) is the country's premiere revenue collecting agency. In keeping with this mission, the primary goal of the organisation is to foster voluntary compliance, collect the revenues due in an equitable and efficient manner, contribute to a competitive business environment and facilitate economic growth and development.

Through excellent service, a highly skilled staff, and in capitalising on the strengths of the organisation; TAJ's primary focus is to accomplish the broad goals and objectives set out by the Ministry of Finance and the Public Service (MoFPS) and in general the people of Jamaica. This ultimately is embodied in the organisation's mantra, *"Working together to serve you even better"*.

Financial Year 2017/18

A critical component of how TAJ's operation is to collect the right amount of tax, at the right time at the lowest cost. The organisation anticipates that the management of compliance risks for the financial year 2017 to 2018 (FY 2017/18) will result in higher levels of voluntary compliance and public confidence in overall tax administration. For the FY 2017/18, TAJ will continue to focus on improving the health of the tax administration system. This National Compliance Plan will address in a structured manner; among other things steps to identify, assess, quantify, prioritise risks to the tax system, and develop appropriate mitigation actions.

Heightened engagement with compliance resources and strengthened intelligence gathering will result in risk assessments being carried out across the various taxpayer segments to determine risks within the four main categories of taxpayer obligations, including:

- Registration in the tax system
- Timely filing of returns
- Timely payment of liabilities

Complete and accurate reporting of information on tax returns.

Continued work in FY 2017/18, propelled by activities and success obtained over the FY 2016/17 will result in continued initiatives. These include :

The cash economy - research into hidden economic activity of businesses, especially the selling and buying of goods and services in cash and the falsification of accounting records.

Research on topical international tax compliance issues, such as potential revenue losses from transfer pricing and other forms of profit shifting by large taxpayers with cross border operations, and aggressive tax planning of high-wealth and high-income individuals.

Tax compliance gap analysis at a macro level.

Random audits based on statistically valid samples representative of the target taxpayer population to test compliance levels (the random audit programme is part of the tax administration's wider audit programme).

Analysis of third party information gathered from various sources such as financial institutions, health care providers, commercial traders, distributors, utility companies, and government agencies etc.

2.0 TAJ'S COMPLIANCE OUTLOOK AND FOCUS

2.1 Our Compliance Priorities

The FY 2017/18 strategic compliance priorities will be focused on the utilisation of a robust compliance management framework which will be executed through a multi-faceted approach. At its core, will be the eServices platform which will be used to stimulate voluntary compliance within the taxpaying population.

2.2 Our Compliance Approach

TAJ's FY 2017/18 compliance approach is entrenched in the organisational compliance model first introduced in 2008¹ and expounds on the core fundamentals of developing:

- High quality, service driven perspectives.
- A culture of overall increased taxpayer obligation compliance via increased education and information sharing with the Jamaican populace.
- Risk-based compliance enforcement management.

2.3 Managing Compliance - Our Targeted Approach

The compliance management philosophy endeavours to:

- Simplify interactions, maximize automation and reduce compliance costs by providing an integrated online experience and building on its contemporary services.
- Improve online services to small businesses and reduce paper transactions.

- Strengthen the ability to create a holistic profile of taxpayers' risk to improve taxpayer services and enforcement approaches.
- Improve and extend current data matching capabilities and use data to continue to improve decision-making, services and compliance, as well as to develop increasingly targeted services based on a data driven taxpayers' needs and behaviour assessment.
- Improve reporting compliance via increased taxpayer interactions geared at prompt resolution of issues surrounding the filing of tax returns.
- Reduce the number of older cases through earlier engagement with taxpayers.
- Support the Minister of Finance's taxation priorities over the FY 2017/18 period.
- Influence the development and implementation of government policy, by advocating the use of key services, technologies and processes to minimise the overall administrative impact on the business.
- Exchange intelligence and data with tax agencies worldwide to support voluntary compliance, encouraging disclosures while identifying and investigating tax evasion.

¹ In 2008 TAJ adopted the Australian Taxation Office (ATO) Compliance Model in use at that time. See Appendix 1 for an overview of the TAJ Compliance Model

2.4 Compliance Risk Treatment Strategies through Data-Mining and Information Matching

Forensic data-mining and information gathering are the main tools used by tax administrations worldwide for detecting non-compliance. Access to sufficient, accurate and timely data is the lifeblood of a revenue authority's ability to successfully administer the taxation system. In assessment, it is used to determine the extent of the risk and in prioritization it is used to select cases. The management of this data and information therefore represents a critical component of the compliance risk management process and warrants specific on-going attention by the authority.

Recent legislative changes in Jamaica have given TAJ greater access to information from additional sources to facilitate the comparison of taxation records with external data. To date, organisations operating in the following sectors/industries (listed below) have been required to upload electronic data in their possession pertaining to commercial activities of other taxpayers directly into TAJ's data warehouse for the calendar years 2013 to 2015.

- Large Distributors
- Telecommunications
- Hotels – Accommodation
- Health Providers
- Utility Companies
- Petroleum Marketing Companies
- Betting Gaming & Lotteries
- Major Medical Centres and Hospitals

3.0 ENHANCED LEGISLATIVE FOCUS

Transfer Pricing

Legislative changes during the FY2016/17 have allowed for continued strengthening of support compliance mechanisms within Tax Administration Jamaica. One such piece of legislation allowed for the amendment of the Income Tax Act with the introduction of Transfer Pricing legislation in Jamaica and as a result TAJ was given the legislative mandate to establish an Advance Pricing Agreement (APA) Programme. An APA is an agreement between a taxpayer and TAJ that establishes an appropriate and agreed upon transfer pricing methodology, to be used on a prospective basis, for establishing a transfer price which is “arm’s length” for the transactions between connected parties.

The mandate, organisational structure and compliance activities of TAJ’s transfer pricing programme is managed by the Transfer Pricing Unit (TPU) within the Large Taxpayer Office (LTO). TAJ’s technical competence has been bolstered by the exposure of select audit and legal personnel to training in current international best practices. This is geared specifically at ensuring the smooth implementation of the Transfer Pricing regime in Jamaica thus increasing tax compliance by key stakeholders. In anticipation of this requirement, an increased number of companies have made payments in excess of their initial declarations.

Revenue Measures for Financial Year 2017/18

The Government of Jamaica made a policy shift the burden of taxation from a system of direct taxes towards a simplified system to indirect taxation. This involved measures relating to phased reform of personal income tax and the main indirect tax types as such General Consumption Tax (GCT) and Special Consumption Tax (SCT). This is a bold step of the Jamaica Government in its efforts to rebalance the tax system towards indirect taxation. Such reform is aimed at satisfying the objectives of revenue efficiency, emphasize equity and facilitate administrative efficiency. It is within this context that the following mix of measures are proposed to be implemented for fiscal year 17/18.

Taxpayers with gross annual revenue equaling or exceeding \$500,000,000.00 are required to maintain and submit transfer pricing documentation effective YA2015.

Form entitled: Schedule 8 – Declaration of Related Party Transaction (SO4/IT02/IT03) must be completed and attached to the Income Tax Return and submitted by March 15, 2017 by taxpayers fitting this profile.

4.0 FOSTERING VOLUNTARY COMPLIANCE IN FY2017/18



Customer Feedback System

The Customer Feedback System has been revamped to include the redesigning of a generic form. Customized versions were developed for unique areas of operations such as the Large Taxpayer Office, the Taxpayer Registration Centre, and the Stamp Duty and Transfer Tax Office. A universal procedure to capture, manage, respond to, monitor and review the feedback of clients has also been developed. During FY 2016/17 the emphasis was placed on capturing the response from clients as it relates to taxpayer service and education. However, this will be expanded in FY 2017/18 to include other areas of operation such as compliance, collections and audit.

Taxpayer Service & Education Programme

TAJ, having recognised the intimate link between customer service and improved voluntary compliance the Revenue Authority has included “Embracing a Customer-Centric Organisation” as one of the five strategic objectives for the 2017/2018 financial year. To this end, several strategies and initiatives have been adopted and deployed to enhance customer satisfaction inclusive of the continued expansion and development of the Customer Feedback System; review of the Citizen’s Charter; recognition of National Customer Service Week and the standardization of taxpayer service and other aspects of operations.

Citizen’s Charter

TAJ published its first Citizen’s Charter in 2011 as a focused commitment of the organisation to its clientele including expected service standards; taxpayers’ rights and obligations; as well as appropriate channels for expressing grievances or complaints. Given that the organisation has significantly improved several of its delivery channels as well as introduced new ones since 2011 an updated Citizen’s Charter will be published reflecting the new paradigm within which TAJ is now operating.

Customer Service Week

During FY 2016/17 TAJ participated in the celebration of National Customer Service Week, where as a service oriented organisation, it paused to recognize and appreciate its customers and reflect on the strides being made by the organisation as a customer-centric entity. This participation is expected to be carried out on a much larger scale in FY 2017/18.

Special Taxpayer Assistance Programme (STAP)

STAP offers personalized guidance and education to taxpayers to assist them in meeting their Income Tax filing obligations. It is conducted annually during the last quarter of the financial year i.e. January to March. In an effort to boost the effectiveness of the programme third party data received by TAJ will be incorporated into the activity to identify non-filers/new taxpayers.

eService Programmes and Filing Centres

TAJ continues to expand on the services that are available to taxpayers online. As a means of increasing the usage of the facility, the “Mandatory eFiling Programme” was implemented. Following mandates for all large taxpayers to file online and for all employers to file their SO2 returns in a similar manner, in FY 2016/2017 all medium taxpayers were mandated to file their GCT returns online.

To facilitate the increased push in eServices, several “eTax Spots” were established at select Tax Offices and education programmes conducted during FY 2016/2017 to provide taxpayers with relevant and timely information, as well as to assist them in their quest to become or remain compliant with their tax obligations. Through taxpayer advisory visits conducted, taxpayers received personalised assistance and guidance in tax related matters, thus enabling them to become better educated as it relates to their tax obligations such as the requirement to maintain proper books and records for their businesses, and to file and pay on time.

Taxpayer service and education was offered around the following in FY 2016/17:

- Full implementation of the Transfer Pricing regime
- The increased Income Tax Threshold
- TAJ’s eServices Platform
- Withholding Tax on Specialized Services (WTSS)
- Employers Tax Credit (ETC)

Taxpayer education programmes and services, specifically focusing on new taxpayers, were also delivered to empower new taxpayers with the relevant information with a view to encourage proper compliance attitudes and practices such as the complete registration, on-time filing, accurate reporting and full payment.

The thrust for taxpayers to maintain proper books and records; and to improve on-time filing and payments for all tax types, across all taxpayer segments, will be further increased in FY 2017/18. Therefore, it is contemplated that increased taxpayer education and services will be provided to facilitate these objectives.

5.0 EVALUATING FY2016/17 COMPLIANCE PROGRAMMES

FY 2016/17 Compliance Performance – Revenue

Tax Administration Jamaica's net revenue target for FY 2016/17 was \$266.17B. Net revenue collections for FY 2016/17 was \$284.2B, representing \$18B or 6.8% above the annual target (Table 1). The core taxes - Company Tax (CIT), Pay-As-You-Earn (PAYE), Special Consumption Tax (SCT), Education Tax (EdTax) and General Consumption Tax (GCT) accounted for \$236.8B or 83.3% of total collections. Twelve (12) of the seventeen (17) tax types including: Minimum Business Tax (MBT), Guest Accommodation Room Tax (GART), Contractor's Levy, Stamp Duty and Individual Income Tax (IIT) performed above projections (Table 2).

Table 1: Overview of Domestic Revenue Performance (Million \$J)

Period	FY 2016/17				FY 2015/16	Revenue Change FY 2016/17 vs FY 2015/16	
	<i>Actual</i>	<i>Projected</i>	<i>Difference (Actual vs Projected)</i>		<i>Actual</i>		
<i>Qtr. 1</i>	67,645.40	61,921.30	5,724.10	9.20%	59,715.60	7,929.90	13.30%
<i>Qtr. 2</i>	63,100.40	62,633.80	466.6	0.70%	62,564.60	535.8	0.90%
<i>Qtr. 3</i>	60,920.10	54,693.20	6,226.90	11.40%	56,610.60	4,309.50	7.60%
<i>Qtr. 4</i>	92,528.80	86,929.10	5,599.70	6.40%	85,557.80	6,971.00	8.10%
<i>FY</i>	284,194.70	266,177.40	18,017.30	6.80%	264,448.60	19,746.10	7.50%

Sources: TAJ – Revenue Accounts, MoFPS

Several factors impacted revenue performance may be attributed to increased compliance action as a result of the “Know your Taxpayer programme”, strengthened enforcement capabilities and focus on court action, the policy shift from direct to indirect taxes, utilisation of various analytical models in RAiS as well as targetted education and awareness campaigns.

Collections from Income and Profits for FY 2016/17 were above projections by \$10.459B or 8.3%, while Production and Consumption collections were \$7.704B or 5.5% above the amount projected (Figure 1). All core taxes were above Projections (Table 2).

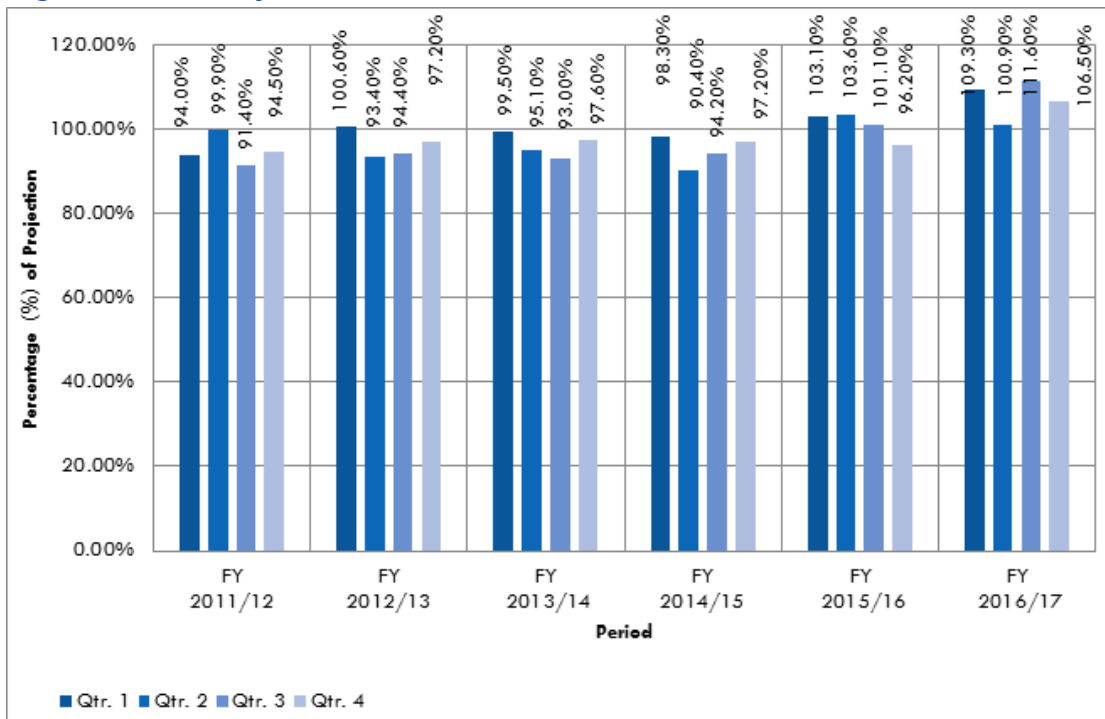


Table 2: Net Collections vs. Net Projections - FY 2016/17 (Million \$J)

	Collections (\$ million)	Projections (\$ million)	Variance (\$ million)	(%) of target achieved
Tax Revenue	284,341.3	266,177.4	18,163.9	106.8%
Income and Profits	136,024.6	125,565.2	10,459.4	108.3%
<i>Other companies</i>	51,791.2	45,744.4	6,046.8	113.2%
<i>PAYE</i>	64,955.0	61,395.0	3,560.0	105.8%
<i>Tax on dividend</i>	1,560.8	1,073.7	487.1	145.4%
<i>Other individuals</i>	5,188.8	4,814.1	374.7	107.8%
<i>Tax on interest</i>	12,528.8	12,538.0	(9.2)	99.9%
Production and Consumption	148,316.8	140,612.2	7,704.6	105.5%
<i>Minimum business tax</i>	771.8	570.9	200.9	135.2%
<i>SCT</i>	18,230.8	14,908.8	3,322.0	122.3%
<i>Environmental levy</i>	376.9	484.0	(107.1)	77.9%
<i>Motor vehicle licences</i>	3,199.0	2,999.7	199.3	106.6%
<i>Other licences</i>	374.2	471.1	(96.9)	79.4%
<i>Betting, gaming and lottery</i>	2,885.4	2,892.1	(6.7)	99.8%
<i>Accommodation tax</i>	2,353.8	2,179.1	174.7	108.0%
<i>Education tax</i>	23,665.0	22,194.7	1,470.3	106.6%
<i>Tele/Call termination tax</i>	4,241.9	5,227.3	(985.4)	81.1%
<i>Contractors levy</i>	1,239.2	1,050.0	189.2	118.0%
<i>GCT (local)</i>	78,174.6	77,058.3	1,116.3	101.4%
<i>Stamp duty (local)</i>	12,804.2	10,576.2	2,228.0	121.1%

Sources: TAJ - Revenue Accounts, MoFPS

Figure 1: Quarterly Domestic Revenue Performance for Financial Years 2011 to 2017



Sources: TAJ - Revenue Accounts, MoFPS

Revenue Performance Highlights

General Consumption Tax (GCT)

Improved revenue performance for General Consumption Tax (GCT) for FY 2016/17 totaled \$78.2B which was \$1.2B (1.6%) above projections (\$77.0B) and \$5.9B above the corresponding period last year (Table 3). This was a result of the increased consumption of goods and services attributable to the policy shift from direct to indirect taxes.

Company Income Tax (CIT)

The overall increase in performance of Company Income Tax (CIT) is attributed to an increase in the total declared value of the estimated income tax returns (IT07) filed for FY 2016/17 in comparison to the previous year. In FY 2015/16, 8,305 estimated income tax returns were filed with total value amounting to \$22.5B, while FY 2016/17 saw 7,127 estimated income tax returns filed valuing \$30.3B. The increase in the value of estimated returns filed led to a surge in income tax payments.

Guest Accommodation Room Tax (GART)

Collections for Guest Accommodation Room Tax (GART) amounted to \$2.4B (Table 3) which was \$174.7M above projections and \$294.7M above the previous period (FY 2015/16). This improvement in performance is attributed to the increase in the number of visitors to the island and corresponding increase in accommodation at hotels and guests houses.

Table 3: Comparative Actual Collections (Billion \$J)

	FY10/11	FY11/12	FY12/13	FY13/14	FY14/15	FY15/16	FY16/17
<i>CIT</i>	33.4	29.0	35.8	35.2	35.9	42.3	51.8
<i>IIT</i>	4.0	3.8	4.0	4.2	4.3	4.6	5.2
<i>PAYE</i>	51.6	60.2	60.9	62.8	67.8	72.0	65.0
<i>GCT</i>	46.4	47.9	50.9	61.3	64.0	72.3	78.2
<i>SCT</i>	8.7	9.2	12.5	12.3	10.1	14.0	18.2
<i>ED TAX</i>	13.1	15.0	15.0	18.1	19.6	21.3	23.7
<i>GART</i>	0.0	0.0	0.6	1.7	2.0	2.1	2.4
<i>STCT</i>	0.0	0.0	3.8	6.5	6.7	6.2	4.2
<i>Total Major Revenue</i>	157.2	165.1	183.5	202.1	210.4	234.8	248.7
<i>Other Revenue</i>	26.6	25.8	28.7	25.7	30.8	29.7	35.6
<i>Total Revenue</i>	183.8	190.9	212.2	227.8	241.2	264.5	284.3
<i>%FY Change</i>	-	3.86%	11.16%	7.35%	5.88%	9.66%	7.49%

Sources: TAJ – Revenue Accounts, MoFPS

Property Tax

Tax Administration Jamaica continued FY 2016/17 with the implementation of improved business processes surrounding enhanced efficiencies in the management of its property tax collection and enforcement compliance operations. These enhanced business processes fostered an increase in overall revenue collection for the tax type within the FY 2016/17 and totalled \$7.6B, which was 95.6% of projections and \$1.1B above FY 2015/16 (\$6.5B) total collections (Table 4).



Table 4: Property Tax Collections and Projections (in Million \$J)

	FY 2016/17				FY 2015/16	
	Collections	Projections	Variance	% of Projections	Collections	Variance (Increase/Decrease)
Qtr. 1	3,305.1	3,584.1	(279.0)	92.2%	2,831.1	474.0
Qtr. 2	1,183.5	1,712.4	(528.9)	69.1%	1,074.3	109.2
Qtr. 3	970.1	1,250.5	(280.4)	77.6%	973.9	(3.8)
Qtr. 4	2,151.8	1,417.7	734.1	151.8%	1,642.2	509.6
YTD	7,610.5	7,964.8	(354.2)	95.6%	6,521.6	1,089.0

Source: TAJ – Revenue Accounts, Ministry of Local Govt.

5.2 FY 2016/17 Compliance Performance – Registration

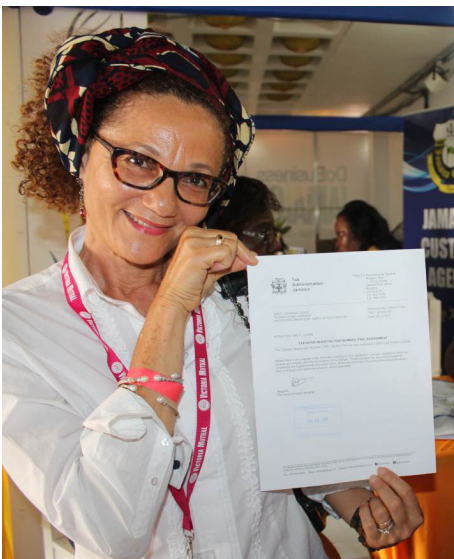
During the FY 2016/17 the new taxpayer programme was led by the Filing and Payment Compliance Programme Team and a total of 3,445 registration leads identified and circulated to the RSCs for action. A target of 10,000 new taxpayers registered was set for FY 2016/17 and at the end the period 15,869 were registered (58.7% above target).

Table 5: Active Taxpayer Accounts as at the end of each Financial Year (FY)

Tax Type	Active Taxpayer Accounts					
	FY11/12	FY12/13	FY13/14	FY14/15	FY15/16	FY16/17
CIT	15,791	16,901	18,148	19,550	20,099	20,305
IIT	123,248	131,441	139,243	146,368	154,667	155,930
PAYE	123,248	131,441	139,240	146,364	154,638	155,892
GCT	29,163	30,342	31,336	32,268	33,417	34,573
SCT	60	64	80	150	187	208
EdTax*	127,865	135,437	159,756	166,891	176,445	179,376
GART	n/a	458	503	535	572	608
STCT	n/a	4	4	4	4	4

EdTax* includes payroll and personal deductions. n/a – not available.

Data Source: TAJ – Revenue Administration Information System (RAiS) as at April 3, 2017



5.3 FY 2016/17 Compliance Performance – Filing and Payment

As it relates to the majority of large and medium taxpayers, on-time filing percentages fell in FY 2016/17 when compared to FY 2015/16 (Table 6). This suggests that earnest contact will have to be maintained with these taxpayers in FY 2017/18 to facilitate more timely compliance. The recently introduced “Mandatory eFiling” of GCT returns for medium taxpayers should promote this objective.

On the other hand, it appears that the compliance strategies employed to treat with small and micro taxpayers are having the desired effect as their on-time filing rates have shown some improvements. These strategies will continue to protect the gains made to date.

Table 6: Comparative Filing and Payment Compliance by Tax Types and Taxpayer Segments

Filing					Payment				
Segment	Tax Type	FY 16/17	FY 15/16	FY 14/15	Segment	Tax Type	FY 16/17	FY 15/16	FY 14/15
Large	CIT	-	95.3%	69.9%	Large	CIT	-	-	83.3%
	GCT	92.8%	96.5%	93.0%		GCT	98.9%	99.2%	95.6%
	PAYE	68.9%	96.9%	60.0%		PAYE	96.6%	96.4%	84.8%
	SCT	83.3%	100%	91.7%		SCT	100.0%	100%	96.9%
	GART	85.7%	98.3%	72.9%		GART	97.9%	99.8%	97.0%
	IIT	-	-	-		IIT	-	-	52.0%
Upper Medium	CIT	-	40.3%	63.3%	Upper Medium	CIT	-	-	66.1%
	GCT	88.6%	87.7%	90.0%		GCT	98.5%	98.3%	93.7%
	PAYE	64.6%	64.4%	62.5%		PAYE	94.8%	93.4%	80.3%
	SCT	54.2%	95.8%	84.6%		SCT	93.7%	100.0%	87.8%
	GART	70.0%	69.8%	66.2%		GART	93.1%	99.3%	100.0%
	IIT	-	-	-		IIT	-	-	100.0%
Lower Medium	CIT	-	34.9%	54.3%	Lower Medium	CIT	-	-	78.6%
	GCT	85.0%	84.9%	84.9%		GCT	97.1%	94.7%	95.2%
	PAYE	60.4%	59.1%	55.2%		PAYE	93.5%	92.1%	81.0%
	SCT	72.3%	77.8%	92.3%		SCT	98.6%	32.2%	27.0%
	GART	50.5%	74.9%	82.7%		GART	98.0%	98.9%	91.9%
	IIT	-	-	-		IIT	-	-	87.9%
Small	CIT	-	26.6%	38.5%	Small	CIT	-	-	80.7%
	GCT	74.5%	73.9%	75.7%		GCT	95.6%	92.8%	93.7%
	PAYE	54.5%	50.9%	48.8%		PAYE	88.7%	87.8%	80.3%
	SCT	86.4%	53.9%	72.4%		SCT	98.5%	94.8%	99.5%
	GART	69.9%	66.2%	64.7%		GART	81.6%	70.7%	95.2%
	IIT	-	-	-		IIT	-	-	76.0%
Micro	CIT	-	17.4%	19.1%	Micro	CIT	-	-	94.2%
	GCT	48.4%	47.8%	49.8%		GCT	94.3%	81.8%	88.9%
	PAYE	22.7%	18.4%	13.4%		PAYE	79.8%	79.4%	69.4%
	SCT	53.6%	26.5%	74.5%		SCT	66.7%	95.2%	100.0%
	GART	57.1%	52.3%	50.1%		GART	95.4%	88.7%	81.1%
	IIT	-	-	-		IIT	-	-	70.4%

Data Source: TAJ – Revenue Administration Information System (RAiS) as at April 3, 2017

Arrears Management

For arrears management, in keeping with the international benchmark as provided by the Inter-American Development Bank (IDB) the ultimate target is for arrears arising and remaining unpaid at the end of a given year to be approximately 1.7% of net revenue collected for that same year. It should be noted that for FY 2016/17 approximately \$17.6 billion of arrears was collected via voluntary and compliance efforts.

The stock of arrears increased from \$193.4 billion at the start of FY 2016/17 to \$246 billion as at March 31, 2017. As seen below a disaggregation of current stock, in segments, indicates the distribution of the arrears reflects that the majority of arrears lies between the medium and large taxpayers. That is, 2% of arrears lies between the large and medium taxpayer and represents 72% of the overall debt stock (Table 7).

Table 7: Segmentation of Arrears FY 2016/17

Segmentation	Count of Taxpayers	Collection Balance (\$)
<i>Large</i>	593	112,143,023,863.62
<i>Upper Medium</i>	525	20,919,999,333.42
<i>Medium</i>	1,815	44,286,612,995.99
<i>Upper Small</i>	3,209	12,983,613,162.69
<i>Lower Small</i>	15,183	24,471,466,917.24
<i>Micro</i>	51,773	18,550,606,829.25
<i>None</i>	9,230	721,711,269.73
<i>Un-Classified</i>	39,285	12,249,552,316.19
Grand Total	121,613	246,326,586,688.13

Data Source: RAiS – Arrears Inventory as at March 31, 2017

Table 8: Increase Arrears by Customer Type, and Tax Type FY 2016/17 (Extract)

Customer Type	Account Type	Collection Balance (\$)
<i>Government</i>	Ed Tax	5,960,980,556.35
	PAYE	20,038,529,074.79
<i>Non-Government</i>	CIT	1,604,199,397.25
	Ed Tax	1,237,810,682.78
	GCT	9,741,069,852.23
	IIT	3,765,956,603.54
	PAYE	3,355,969,306.78
	SCT	3,929,430,930.22

Data Source: RAiS – Arrears Inventory as at March 31, 2017

It was observed that during the year, arrears deemed to be uncollectable for the Years of Assessment 2009 and 2010 and earlier, were not written-off (pursuant to the Debt Write-off Policy) as projected. However, a significant portion of the arrears to be written-off remains on the inventory. Approximately \$99B of the arrears stock was submitted to the Write-off Committee and awaits Ministerial approval at the start of FY 2017/18.

TAJ Compliance Officers will continue to reduce the stock of arrears through one-off write-off methods in the coming year and will be encouraged to:

1. Collect outstanding liabilities in full
2. Enter into payment arrangements with taxpayers to satisfy all outstanding liabilities
3. Process all arrears currently not collectable

Government arrears increased by \$27.9 billion and non-government arrears increased by \$24.8 billion during the fiscal period FY 2016/17. The majority of the tax types attributing to this increase are seen in Table 8.



Debt Reduction Management Strategies

For FY 2017/18 greater focus will be placed by TAJ on:

1. Focusing Compliance Officers to submit “on going” write-off cases to the Write-off Committee while pursuing collectable portions of delinquent taxpayer’s liabilities.
2. Encouraging Compliance Officers to have taxpayers pay in full or make payment arrangements in order to reduce liabilities.
3. Increasing civil and criminal prosecutions for those taxpayers with the greatest liabilities.
4. Increasing taxpayer education activities.
5. Increasing compliance coverage via strengthened internal processes including forecasting of debt.
6. Prioritization of arrears cases using analytics to determine which taxpayers will pay incurred liabilities in full or part thereof in a timely manner.
7. Applying greater scrutiny via targeted actions aimed at taxpayers with outstanding trust-fund debts.

5.4 FY 2016/17 Compliance Performance – Correct Reporting

A voluntary compliance system is built on the premise that taxpayers will submit complete and accurate tax returns in line with current laws and regulations. In order to sustain such a system, a vibrant audit and assessment structure must be implemented and taxpayers must be convinced that major inaccuracies will be detected and appropriately addressed within established time-frames.

In order to achieve this objective, returns are subjected to internal checking and external audit activities. During the FY 2016/17, TAJ undertook a multifaceted audit programme which spanned all major tax types and taxpayer segments. Information derived from data-mining activities (3rd party data) and TAJ’s audit risk models were used in the selection of high risk taxpayers for the medium, small and micro enterprises (MSME) audit programme. These audits included both GCT and Income Tax returns.

TAJ continued its joint audit/operations of select categories of taxpayers and tax types with the Jamaica Customs Agency (JCA). The Audit Programme was predominantly designed to cover the core tax types:

- Company Income Tax (CIT)
- Individual Income Tax (IIT)
- General Consumption Tax (GCT)
- Pay As You Earn (PAYE)

The results from this Programme were as follows:

Table 9a: FY 2016/17 Joint Audit and Operations for CIT, GCT and Contractor’s Levy

Tax Type	Joint Audit (\$)	Joint Operations (\$)	TOTAL (\$)
<i>CIT</i>	50,091,693.67	-	50,091,692.67
<i>GCT</i>	627,847,607.00	228,429,947.00	856,277,554.00
<i>Contractors' Levy</i>	3,194,068.21	-	3,194,068.21
TOTAL	681,133,368.88	228,429,947.00	909,563,314.88

Additionally, a Desk Audit Programme was also introduced for FY 2016/17 whereby all PAYE Employers Returns (S02s) submitted were electronically interrogated to identify employees appearing on multiple returns. These individuals would have benefitted from the Income Tax threshold relief on multiple occasions and thus did not pay the correct amount of income tax. A total of 15,488 employees were identified and 5,290 selected for examination and tax assessment.

Review of 2016-17 Audit Programmes

The National Audit Programme FY 2016/17 was prepared using the results of third party information, a risk scoring model and PAYE issue audits. The type of audits conducted included field single tax audits, integrated audits and desk audit programmes.

The Programme was primarily designed to cover our major tax types, i.e. Company Income Tax (CIT), Individual Income Tax (IIT), General Consumption Tax (GCT), Pay As You Earn (PAYE) with a small number of Guest Accommodation Room Tax (GART) audits.

During the FY 2016/17 a strong focus was placed on public education activities surrounding increased taxpayer knowledge aimed at increasing public awareness of the obligation to file a tax return where taxpayers have multiple employers and therefore in receipt of the tax free/nil-rate portion (threshold) twice. The SO2 Threshold Abuse Programme completed 1,821 cases with a total tax change for PAYE and Ed Tax of \$167,199,147.60

Table 9b: Large Taxpayer Office (LTO) Audit Results

Tax Type	FY2015/16				FY2016/17			
	<i>Number of Cases Completed</i>	<i>Targeted Number</i>	<i>Percentage (%)</i>	<i>Tax Yield (\$B)</i>	<i>Number of Cases Completed</i>	<i>Targeted Number</i>	<i>Percentage (%)</i>	<i>Tax Yield (\$B)</i>
<i>CIT</i>	24	43	56	1.831	49	52	94	0.783
<i>IIT</i>	18	10	180	0.084	8	22	36	0.048
<i>GCT</i>	42	53	79	1.300	41	54	76	0.244
<i>PAYE</i>	11	41	27	0.037	22	25	88	0.028
<i>ED. TAX</i>	-	-	-	0.006	-	-	-	0.129
<i>SCT</i>	-	-	-	11.397	-	-	-	-
<i>GART</i>	38	25	152	0.028	-	-	-	-
Total	133	172	129	14.684	120	153	78	1.232

Table 9c: Revenue Service Centres (RSC) Audit Results

Tax Type	FY2015/16				FY2016/17			
	<i>Number of Cases Completed</i>	<i>Targeted Number</i>	<i>Percentage (%)</i>	<i>Tax Yield (\$B)</i>	<i>Number of Cases Completed</i>	<i>Targeted Number</i>	<i>Percentage (%)</i>	<i>Tax Yield (\$B)</i>
<i>CIT</i>	234	254	92	0.679	226	169	134	0.564
<i>IIT</i>	351	266	132	0.321	328	169	194	0.213
<i>GCT</i>	305	264	115	0.590	298	376	79	0.498
<i>PAYE</i>	109	122	89	0.069	88	250	35	0.065
<i>ED. TAX</i>	-	-	-	0.031	-	-	-	0.030
<i>SCT</i>	-	-	-	-	-	-	-	-
<i>GART</i>	14	47	29	0.0003	7	18	39	.0005
Total	1013	953	106	1.6903	947	982	96	1.3705

FY 2016/17 Compliance Performance – Investigation and Intelligence

TAJ conducts investigation and intelligence operations aimed at widening the tax net through registration of new taxpayers, the investigation of breaches of Jamaica's tax laws and referral of cases for prosecution. During the FY 2016/17 attention was placed on the entertainment and food industries which resulted in a number of new taxpayers being registered for various tax types including GCT and Income Tax. These taxpayers were educated about their obligations and assistance provided regarding the completion and filing of returns, this exercise resulted in a total payment of \$7.3B. These taxpayers will be closely monitored to ensure their continued compliance.

Table 10: Investigation Results

Investigations /Performance				
Indicators	March YTD 2015/16	March YTD 2016/17	2016/17 Targets	% Of Target
# of Intelligence Cases	76	95	95	100
# of Civil Investigations	48	47	60	78.3
Total yield from audits (\$M)	\$1,030,430,758	\$652,143,131	-	-
Prosecution referrals	4	11	16	69

Forty-seven (47) civil investigation cases (Table 10) were completed during the period with tax assessments of six hundred and fifty-two million being raised (\$652M). The cases were primarily from the restaurant, entertainment and construction sectors.

Eleven cases were submitted for prosecution. The charges included breaches of the Income Tax, GCT and Revenue Administration Acts. The charges predominantly involved cheating the public revenue at common law as well as the non-production of books and records.

FY 2016/17 Compliance Performance – Objections Handling

Tax Administration Jamaica has been grappling with a growing objection inventory for the past few years despite the implementation of various strategies. The main goals for the FY 2016/17 were to significantly reduce our inventory, discharge rates, as well as reduce the time spent settling objection cases. The FY2016/17 saw positive momentum with overall objections closing inventory trending downwards when compared to the previous year (Table 11a).

Table 11a: Objection Inventory

	FY 2015/2016	FY 2016/2017	% Change
Opening Inventory	2262	1665	-26%
Objection Received	1188	1564	32%
Objection Transferred	627	840	34%
Objection Settled	1158	1099	-5%
Closing Inventory	1665	1290	-23%

A total of 1,564 new objection cases were received by TAJ during the FY 2016/17 when compared to 1,188 for the similar period last year. This represents a 32% (376) increase in the number of objections received. There was also a 5% decrease in the number of cases closed for the same period.

In addition, there was a 23% decrease in the closing inventory which is attributed to the 840 cases which were removed from the inventory for various reasons. Additionally, the closing inventory was reduced by 23% which is 3% lower than the previous FY 2016/17.

Table 11b: Objections Received

	FY 2015/2016	FY 2016/2017	% Change
<i>Audit</i>	451	382	-15%
<i>Adjustment</i>	7	5	-29%
<i>Manual Best Judgment Assessment (MBJA)</i>	211	237	12%
<i>Automatic Best Judgment Assessment (ABJA)</i>	519	940	81%
TOTAL	1188	1564	32%

The number of new objections received during FY 2016/17, was 1,564 which represents an overall increase of 32% over FY 2015/16. This is primarily due to the generation of estimated GCT assessments for late filers (81% increase in ABJA – Table 11b). However, there was a 15% decrease in audit objections for FY 2016/17 when compared to FY 2015/16.

Notably, RAiS now generates estimated assessments for GCT taxpayers who do not file on time. This has led to an increase in the overall objections inventory. When taxpayers file GCT returns late, a monthly penalty of \$5,000 is generated until the return is filed. An additional 10% payment penalty is also charged on the outstanding tax liability.

Several strategies have employed to address the issue of late filing, however taxpayers have continued to be negligent with regards to filing and paying their obligation on time. TAJ will continue to educate taxpayers about their obligations and the consequences of such actions. Late filing not only creates a burden on the taxpayer but also the Revenue Authority to provide audit resource to settle objection cases. Emphasis will be placed on having dormant accounts investigated with a view to having them closed. This dormancy is often the result of taxpayers not advising TAJ that they have closed the business.

FY2016/17 Compliance Performance – Informal/Cash Economy and Third-Party Data

The May 2016 study commissioned by MasterCard titled ‘Evaluating the Social Cost of Cash’, indicates that nine out of ten or 90% of transactions conducted in Jamaica are done using cash or cheques. Study observations demonstrated how the use of cash in Jamaica slowed economic growth, increased business informality, corruption and resultant limiting effects on financial inclusion.

Against this background renewed focus will be placed us within TAJ to administer a tax system which is increasingly difficult to avoid with a view of reducing non-compliance in the informal/cash economy within the island.

FY 2017/18 enforcement strategies will be aimed at lowering the acceptance of taxpayer participation in the informal/cash economy. During FY 2016/17 applicable enforcement strategies supported by legally prescribed penalties were used to identify, treat with and prosecute persons for tax evasion. These measures will be applied going forward to ensure persons meet their obligations. The Authority will continue to use every means at its disposal to reduce the public acceptance and participation in this large informal/cash economy.

The Outcome

Recent changes to the Revenue Administration Act (RAA) have facilitated the acquisition of third-party information from both government and non-government agencies. This, coupled with the amplified use of best practices from the “Know your Taxpayer” initiative, and improved relations with cross border agencies will undoubtedly foster greater compliance and added revenue during the FY 2017/18.

6.0 COMPLIANCE FOCUS AREAS FY 2017/18

The compliance focus areas for FY 2017/18 which will guide TAJ in ensuring current revenue collection levels from compliant taxpayers in FY 2016/17 are maintained, while ensuring there is an overall improvement in taxpayer compliance are outlined below. These focus areas are consistent with TAJ's strategic objectives for improving voluntary compliance.

- The focus areas will inform:
- The development, implementation and monitoring of programmatic areas.
- The development of the Programmes Plan to support the functions of the RSCs.
- The identification of the requisite support services to assist in the promotion of voluntary compliance.
- The implementation of agreed performance indicators to support the governance, reporting and management arrangements.

6.1 Compliance Approaches

TAJ will continue its focus on the four pillars of compliance in FY 2017/18 through the use of multiple strategies such as taxpayer education, taxpayer service, audit & enforcement and prosecution. Specific programmes will be developed to address various compliance risks identified and ultimately influencing sustained taxpayer behaviour.

TAJ's Compliance Approaches

Compliance Areas	Education	Service	Enforcement	Prosecution
Registration	✓	✓	✓	✓
Filing	✓	✓	✓	✓
Correct Reporting	✓	✓	✓	✓
Payment	✓	✓	✓	✓

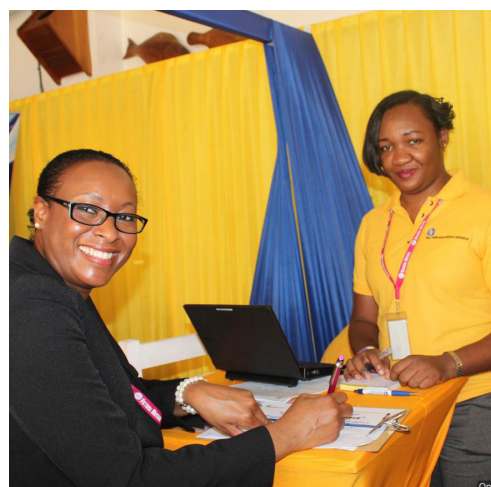
The compliance focus areas for FY2017/18 are aimed specifically at the principal nine (9) tax types which the organisation administers.

6.2 Registration

Existing registration compliance risks and administration strategies

A critical step in administering taxes is taxpayer registration, which is a fundamental function of any tax administration. It is through this process that individuals (natural persons) and business entities (legal persons) are brought into the tax net. The non-registration of taxpayers who should be paying tax is a significant factor contributing to the overall tax compliance gap as it relates to filing, payment, assessment, and collection.

Taxpayer registration therefore ensures to effective tax administration in which taxpayer information determines how other core administrative functions operate.



Focus will be placed on building an effective tax register which will allow for:

- A clear legislative requirement to register for tax purposes
- An identifiable taxpayer population for each tax type
- Preserving the integrity of a unique identification numbering mechanism to recognise taxpayers for each tax type
- The development of appropriate procedures to guide the registration activities

Intrinsic to the process of registering taxpayers is the understanding of exactly who is considered a taxpayer. This is set out in the Law and/or Regulations; however for the purposes of compliance a taxpayer is an individual and/or entity who have an obligation to pay taxes and/or file a return (self-assessment) directly to the Government. Currently, only General Consumption Tax (GCT) and Special Consumption Tax (SCT) have an explicit registration process; other taxpayers become registered by virtue of filing a return or obligation or making a payment.

The timely recording and collection of accurate taxpayer data will better enable the Administration to understand its taxpayer base, staff itself accordingly and plan other core tax administration functions. Without reliable and relevant data the Administration would encounter some challenges in carrying out its mandate. TAJ cannot manage its taxpayers if it does not know who they are, where they are located and whether they are active (i.e. trading) or inactive.

TAJ's objective is to maintain a complete database of businesses and self-employed individuals that are registered for the relevant tax types. The taxpayer registration database should provide certainty to the tax authority as to the number of active taxpayers (i.e. businesses and individuals with tax obligations) for each tax type. Uncertainty of the true taxpayer population compromises compliance analyses, projections or activities and can undermine actual results obtained. The advent of RAiS provides TAJ with the additional opportunity to improve on the accuracy and integrity of its taxpayers 'registration' database.

Expected Activities

Strategies to improve registration compliance will be enhanced to increase activities aimed at taxpayers currently operating outside the tax net being registered. During FY 2017/18 TAJ endeavours to:

- Identify and register new taxpayers.
- Register existing taxpayers for additional tax types for which they may have obligations e.g. GCT; PAYE; Ed Tax etc.
- Verify the accuracy of information held in the taxpayer registration database via routine and systematic use of third party information sources and inter-agency information sharing to ensure information held is up-to-date and data integrity enhanced.
- Investigate inactive or dormant taxpayers' accounts.
- Update the taxpayer registration database by removing deceased taxpayers and closed companies (i.e. data cleaning).
- Encourage and make it easier for taxpayers to advise in a timely way, changes to information held in the registration database – e.g. change in business activity, address or cessation of trade.

Expected Outcomes

A significant increase in registration compliance is expected as a result of increased activities in the identification and registration of non-compliant persons as a result of data matching of information reports received from third parties with tax records during FY 2017/18. This will be intensified as more third party data is collected, organized and analysed.

In addition, it is anticipated that information garnered from the Withholding Tax on Specified Services should augment this objective as it is expected that several non-compliant persons will be identified, thus widening the tax net.

Deregistration activities will also be intensified as the Administration moves to address the issue of the timely processing of closures and cleaning of the taxpayer database of inactive taxpayer records. This will be further augmented by data cleansing activities to address the integrity of our database.

6.3 Filing

Existing filing compliance risks and administration strategies

Approximately 50% of registered Income Tax (Company and Individual Income Tax) taxpayers do not file tax returns on time or close to the time. However, in breaking out registered taxpayers by segments the micro and small taxpayers would make up the majority of taxpayers not currently filing on-time. The majority of taxpayers fall within the micro and small segmentation.

Timely filing rates for GCT monthly returns are considerably better than this but still well below what they should be. Due to the recent strengthening of LTO which involves the close account monitoring by LTO Client Relationship Managers (CRMs), large taxpayers are now mainly compliant with their filing obligations. If large taxpayers do not file on time they can expect a timely intervention reminder. However, amongst the MSME taxpayer population, filing non-compliance rates increase significantly, with middle to lower income taxpayers being the main offenders.

The “**Know Your Taxpayer**” concept has allowed for increased filing rates for all major tax types. This has entrenched LTO’s monitoring of its top 50 taxpayers and similarly the RSC’s monitoring of their top 150 taxpayers who file and pay on-time. Expansion of the eServices offerings has allowed for the electronic filing of Returns. Further several categories have been mandated to file their Returns online. As of June 2016, legislative amendments were made to mandate medium taxpayers to file their GCT returns online. Periodic intervention is made, where necessary to ensure that taxpayers meet their filing obligations.



Proposed Treatment Strategies

During FY 2017/18 TAJ intends to make significant inroads into improving on-time filing compliance with the increased use of the embedded features of RAiS. The system allows staff to manage automated work processes, issue system generated reminder letters, track case actions including telephone calls, referrals for personal visits and prosecution action, automate the calculation of non and late filing penalties, while facilitating accurate management and reporting against performance benchmarks.

Our filing compliance risk-based approach will be a mix of education and assistance supported by appropriate enforcement and prosecution action. Efforts during FY 2017/18 in improving filing compliance will include:

- Increasing the number of taxpayers using our eFiling facilities
- Reinforcing legislative filing requirements
- Strengthening of the requirements to be met when issuing tax compliance certificates

Expected Activities

During FY 2017/18 we plan to:

- To put in place a variety of solutions using a combination of assistance, education and compliance enforcement focusing on ensuring those taxpayers currently not filing correct returns on-time transition to being filing compliant.
- Make good use of RAIS to identify and manage non-filers.
- Extend mandatory eFiling to at risk taxpayers and tax types.
- Strengthen legislative requirements surrounding the lodging of quarterly income estimates.
- Examine the rules around the issuing of tax compliance certificates with a view to improving non-compliant tax behaviour.
- Use our risk management compliance approach to examine:
 - Taxpayers filing returns showing variable amounts each month/quarter for no apparent reason.
 - Quarterly income tax estimates.
 - Habitually late filers and taxpayers filing incomplete returns with the intention to reject such returns.

Expected Outcomes

TAJ compliance activities in FY 2017/18 are expected to result in a significant increase in filing compliance due to:

- Improved management of compliance activities from newly automated processes.
- Strengthened of legislative filing requirements.
- Improved understanding of taxpayer behaviour and application of appropriate treatment strategies.
- Extended mandatory eFiling to at risk taxpayers and tax types.
- Increased emphasis on raising taxpayer understanding of filing obligation and consequences of non-compliance.

6.4 Payment

Existing payment compliance risks and administration strategies

Approximately 50% of registered Income Tax (Company and Individual Income Tax) taxpayers do not file tax returns on time or close to time. The “Know Your Taxpayer” concept has therefore allowed for increased payment rates for all major tax types and has served to embed LTO’s monitoring of its top 50 taxpayers, with RSCs similarly monitoring their top 150 taxpayers who pay on time. The majority of these taxpayers fall within the small and medium.

The same administrative challenges which affect filing compliance also influence payment compliance and highlights the strong correlation between not being willing or able to pay on time being invariably influenced by the decision to not file on time. Payment compliance also suffers from a lack of penalty and interest sanctions for non-compliance.

Taxpayers are now able to pay tax liabilities through online payment options through the TAJ Online Portal which has seen continued growth in the last year. Plans are in train to provide a direct debit option for taxpayers via their own bank’s bill payment facility as yet another payment service channel. This, it is hoped will alleviate the high costs associated with credit card transactions.

Proposed Treatment Strategies

Payment treatment strategies can be segmented into three categories thus ensuring:

1. Taxpayers pay current year amounts when due.
2. Taxpayers either pay tax arrears in full or enter into payment arrangements to clear debts in a reasonable time-frame.
3. Irrecoverable amounts are written-off in a timely fashion consistent with recent law changes and arrears management processes are put in place to ensure the problem is not repeated several years later.

During FY 2017/18 TAJ intends to make significant inroads into improving payment compliance by:

- Increasing the usage of embedded features within RAiS. The system allows for the management of automated work processes, issue system generated reminder letters, track case actions including telephone calls, referrals for personal visits and prosecution action, automate the calculation of non and late payment penalties, while facilitating accurate management and reporting against performance benchmarks.
- Making better use of TAJ's enhanced information matching and data-mining capabilities to help identify sources of funding that can be accessed via the recently strengthened collection provisions to clear tax arrears via liens, garnishee action and other withholding at source arrangements.

Our payment compliance risk-based-approach will be a mix of education and assistance supported by appropriate enforcement and prosecution action. Efforts for increased payment during FY 2017/18 will include accessing opportunities to:

- Be reasonable in negotiating extended payment arrangements for clearing tax arrears with those taxpayers who are making a genuine attempt to move to being payment compliant.
- Increase the number of taxpayers using TAJ's ePayment capabilities.
- Extend automated withholding at source arrangements from third parties.
- Working with the banks to incorporate ePayment of tax payments by taxpayers through their own bank's existing bill payment system.
- Make use of recent strengthening of legislation which provides strong penalties and the collection of taxes via liens and garnishee action.
- Work closer with TAJ auditors so that payment arrangements become an integral component of the audit adjustment settlement process.
- Take appropriate action against those taxpayers who close down one business without paying tax debts only to reopen again with similar management and ownership arrangements soon thereafter.
- Seek more court time for prosecuting offenders.
- Work with court bailiffs to enforce warrants, seizing goods and property which can be sold off to clear tax debts.
- Take positive action to disrupt business arrangements for those taxpayers who are habitual late/non-payers, such as strengthening sanctions on those taxpayers who fail the 'Compliance Certification Test' which will disrupt their ability to trade freely, import goods and bid for government contracts.

Expected Activities

During the FY 2017/18 TAJ will:

- Continue solutions aimed at offering taxpayer assistance, education and compliance enforcement focusing on ensuring those taxpayers currently not paying on time or not actively trying to clear tax arrears move to being payment compliant.
- Use RAIS to identify and manage non and late payers.
- Consistently impose late payment penalties.
- Significantly enhance online payment options.
- Put processes in place to significantly reduce the amount of tax arrears unpaid.

- Extend the LTO model of closely monitoring large taxpayers by LTO Customer Relationship Managers (CRMs) to the SME sectors.
- Continue the close monitoring of LTO taxpayers by LTO CRMs to ensure timely payment of tax obligations.
- Increase property tax collections.
- Strengthen legislative requirements for paying quarterly income estimates.
- Enforce the payment of amounts (not in dispute) when due and payable in cases subject to objection or appeal.
- Based on TAJ's risk management compliance approach take a close look at:
 - Habitual late/non payers.
 - Importers who are obviously still heavily trading but not paying their tax obligations.
 - Taxpayers with poor payment records and cash based businesses.

Expected Outcomes

TAJ compliance activities in FY 2017/18 are expected to result in an increase in payment compliance due to:

- The use of automated processes to improve management of workload and other compliance activities.
- Improved payment compliance through enhanced data mining and information matching capabilities.

6.5 Correct Reporting

Existing correct reporting compliance risks and administration strategies

Reporting compliance speaks to the accuracy of all returns filed by taxpayers. In a self-assessment tax system, taxpayers have an obligation to file true and accurate returns declaring their taxes due. Jamaica currently has a low rate of correct reporting as highlighted by FY 2016/17 audit results indicating over 90% of all taxpayers audited resulted in an additional tax assessment.

The risk to tax compliance runs the entire gamut of the correct reporting spectrum and includes:

- Incorrect reporting has been detected in all our taxpayer segments, from our large taxpayers who engage in complex tax avoidance schemes to our micro taxpayers who fail to keep proper books and records and therefore file inaccurate returns.
- Incorrect reporting due to a lack of knowledge of the tax laws. This is particularly evident among our GCT taxpayers who are involved in mixed activities, i.e. taxable and exempt activities and are therefore required to apportion their input tax credit.
- Incorrect reporting detected among our employers, some of whom continue to pay allowances that should be included in their employee's taxable emoluments. In addition, it has also been detected that employees with multiple employment are receiving the tax free threshold multiple times and have not filed their return to pay over the additional taxes that are due.

Tax Administration Jamaica will continue to address these issues through:

1. A robust audit programme targeting all taxpayer segments.
2. A strong and targeted taxpayer education programme which will assist willing taxpayers to meet their obligation to file accurate returns.
3. The imposition of civil penalties, as well as criminal prosecution where taxpayers deliberately misstate their tax obligations.



Proposed Treatment Strategies

Improving Reporting Compliance

The strategic direction for improving reporting compliance in FY 2017/18 will include the following:

1. Continuing efforts to increase audit coverage by diversifying audit initiatives.
2. Improving the auditing capabilities of our audit manager and auditors.
3. Refining risk models used for audit selection.
4. Increasing the pool of taxpayers requested to provide third party information.
5. Improving taxpayer education programmes to address common errors being made by taxpayers.
6. Full Implementation of the Transfer Pricing regime.
7. Focused audit selection on high risk industries and other entities.
8. Detecting instances of “conspicuous consumption”.

Expected Activities

During the FY 2017/18 the audit plan will segment taxpayers (i.e. large, medium, small and micro), with the large and medium taxpayer segments receiving most of the audit resources. The goal is to audit 10% of our large taxpayers and 6% of the medium taxpayer population. Greater focus will be placed on GCT as well as Corporate Income Tax (CIT).

Special Emphasis

The Large Taxpayer Office audit programme will be expanded to accommodate Transfer Pricing Audits. A dedicated team of auditors has been selected and received specialized training in this regard.

TAJ will also increase its scrutiny of high wealth individuals, especially in circumstances where their reported income appears to be in contradiction to their consumption pattern. These audits will be augmented by the use of Exchange of Information provisions in bi-lateral and multi-lateral treaties.

Medium, Small and Micro Segments

A variety of audit types will be carried out as it relates to the MSME taxpayers depending on the risks identified. These will include integrated, single tax and issue audits. The objective of the audit plan is to achieve a wide level of coverage among this group so that a deterrent effect is created. For the most part, only one year will be audited for each case as the main objective is to educate the taxpayers of any deficiencies found.

The desk audit programme that was started in FY 2016/17 will be continued in FY 2017/18.

Objections Management – Objections Processing

Effective April 1, 2017 TAJ took a further step to ensure the fairness and objectivity in the settlement of objection cases by removing objection processing activities from the purview of audit operations. Objections will now be handled by a team headed by a “Senior Technical Specialist” under the Commissioner General’s Secretariat.

Expected Outcomes

The following outcomes are anticipated from the Audit Programme for FY 2017/18:

1. Increased audit coverage in our large and medium taxpayer populations.
2. Improved accuracy of reporting via audit and taxpayer education activities.
3. Improved audit efficiencies by conducting audits in a timelier manner using less organisational resources.
4. Increased the accuracy in the audit assessment and thus revenue collections.
5. Reduction in the number of objections resulting from audit assessments.
6. Reduction in the length of time taken to settle objections.
7. Creation of a high level of deterrence within the taxpayer population to deliberately misrepresent their tax liabilities.

APPENDICES

APPENDIX 1: OVERVIEW OF TAJ'S COMPLIANCE MODEL

TAJ's Tax Compliance Model is built on three pillars: Service, Education and Enforcement.

Service: to make compliance activities simple, easily accessible and of high quality, thus improving compliance and reducing the administrative cost of compliance;

Education: to assist stakeholders in understanding their tax obligations and rights to ensure compliance with tax laws; and

Enforcement: to detect and deter potential non-compliance while ensuring that sanctions are proportional to the offence. Whereas the three components are distinct, they are inter connected and complement each other. To determine the appropriate strategy based on taxpayer behaviour, TAJ first analyses the environment in which it operates and its taxpayers (business, industry, sociological, economic, psychological) to ensure effective segmentation. This analysis is done within a risk framework.

Compliance Continuum

The compliance model is carried out within a compliance continuum where there is an escalation of compliance cases through a continuum between various units starting with the Customer Care Centre through to regular



CCC & Customer Service Activities

- Courtesy Calls
- Compliance calls
- Education & Service
- Promotions



Audit & FDMUU Activities

- Audit & Assessments
- Data Mining
- Intelligence
- Investigations



Collections & Compliance Activities

- Calls & Field visits
- Demand Notices
- Arrangements
- Summons
- Courts Actions



Enforcements (IIEU) Activities

- Court Prosecution
- Garnishment
- Lien
- Set-Offs
- Seizure & Sale of Assets



Customer Service



Debt Management



Enforcement

APPENDIX 2: ONGOING COMPLIANCE ACTIVITIES

On-going compliance management actions remain unchanged, with specific aspects focused on during each Financial Year as follows:

1. Reduce community tolerance of the shadow (underground) economy

- (a) Raise community understanding of the role taxes play in achieving social equity objectives and providing essential public services and infrastructure.
- (b) Promote tax education as a part of the general school-based education programme.
- (c) Raise awareness of the dangers of dealing with shadow economy operators.
- (d) Engage the community in identifying and rejecting shadow economy operators.
- (e) Inform the community of the tax authority's increasing capability to detect and deal with shadow economy activities.

2. Provide targeted assistance

- (a) Provide high quality taxpayer enquiry services.
- (b) Conduct free seminars in conjunction with other key government agencies to help small businesses understand their obligations and entitlements.
- (c) Make courtesy calls to small business operators to check if they are experiencing any problems and offer help and advice.
- (d) Conduct optional free advisory visits at the taxpayer's premises to resolve any problems that may have emerged.
- (e) Conduct targeted advisory visits to the premises of small businesses which are considered high risk and have not requested an advisory visit.
- (f) Use simple information products that explain key obligations and inform taxpayers of how they can seek help from the tax office.
- (g) Provision of on-line self-help tools e.g. on-line calculators and decision support systems.
- (h) Provision of "One-Stop-Shop" facilities.
- (i) Proactive reminders of approaching obligations (e.g. letters, emails, text messages & telephone calls) timed to promote on-time compliance with key filing, reporting and payment obligations.
- (j) Manage genuine new business as a discrete group i.e. pay particular attention to businesses that have become an employer for the first time.

3. Encourage self-regulation

- (a) Introduce a range of incentives that recognize and reward good compliance behaviour. Incentives include:
 - i) Remission guidelines for penalties and interest that recognize a good compliance record.*
 - ii) On-line self-help tools to promote accurate reporting of complex obligations e.g. a decision support system for determining the employment status of workers (i.e. are they employees or contractors?).*
- (b) Liaison with key intermediaries and other external stakeholders in the tax system including tax agents and other tax practitioners.
- (c) Provide training/guidance for tax agents and other practitioners to play a role in ensuring the integrity of the tax system.
- (d) With the establishing of legislative authority for access to information, set up effective liaison arrangements to ensure that banks and other financial institutions understand and meet their obligations to support collection enforcement policies (garnishee notices, withholding arrangements, reporting of financial transactions etc.).
- (e) Form cooperative 'partnership' arrangements with key industry and business associations.
- (f) Develop industry benchmarks for high risk industries in which 'business-to-consumer' transactions represent a major proportion of total business income.

(g) Develop close liaison with business service provider such as manufacturers of accounting software packages and payroll service providers.

4. Demonstrate a highly visible and credible detection and enforcement capability

a) Complement the education, assistance and encouragement activities with a highly visible and credible programme to detect and deal with non-compliance.

- i) Development of effective intelligence gathering.
- ii) Development of risk identification and analysis.
- iii) Development of case selection capabilities.
- iv) Development of skilled compliance workforce.

b) The enforcement programme aims to:

- i) Identify people operating outside the system
 - Conduct regular unannounced visits to business places or districts.
 - Match taxpayer register against 3rd party database for trade and professional association.
 - Test the validity of tax invoices to ensure supplier is registered.
 - Introduce reporting arrangements for business-to-business transactions.
- ii) Monitor compliance by new registrations
 - Develop a registration risk engine capable of matching data.
 - Closely monitor the compliance of suspect registrations.
 - Engage all genuine first-time business operators to determine through interview their understanding of their obligations and entitlements.
 - Conduct follow-up on-site advisory visits to those first-time businesses which fail to demonstrate a reasonable grasp of their obligations.
 - Contact by telephone, or make on-site visits to, selected new businesses that fail to meet their filing and/or payment obligations.
- iii) Improve record keeping practices
 - Though “new business tax kits” advise taxpayers of requirement to keep records sufficient to verify all income and expenses.
- iv) Identify businesses regularly declaring losses or unrealistically low income • Select the high risk cases for audit verification.
 - Issue customised letters to the medium risk cases explaining how the suspected tax gap has been identified, and direct the taxpayer to review their transactions and either file an amended return or explain the gap.
 - Issue warning letters to the low risk cases explaining why they have been contacted and warning that they may be subject to audit if future returns fail to reflect realistic income levels
- v) Focus on high risk industries and activities.
- vi) Introduce tailored reporting arrangements for trades or industries in which tax avoidance practices are endemic.
- vii) Detect instances of ‘conspicuous consumption’.
- viii) Detect cases where taxpayers have illegally claimed government benefits by hiding their real income.

APPENDIX 3:
COLLECTION EFFORTS – DELINQUENT FILING COMPLIANCE COLLECTIONS TOOLKIT

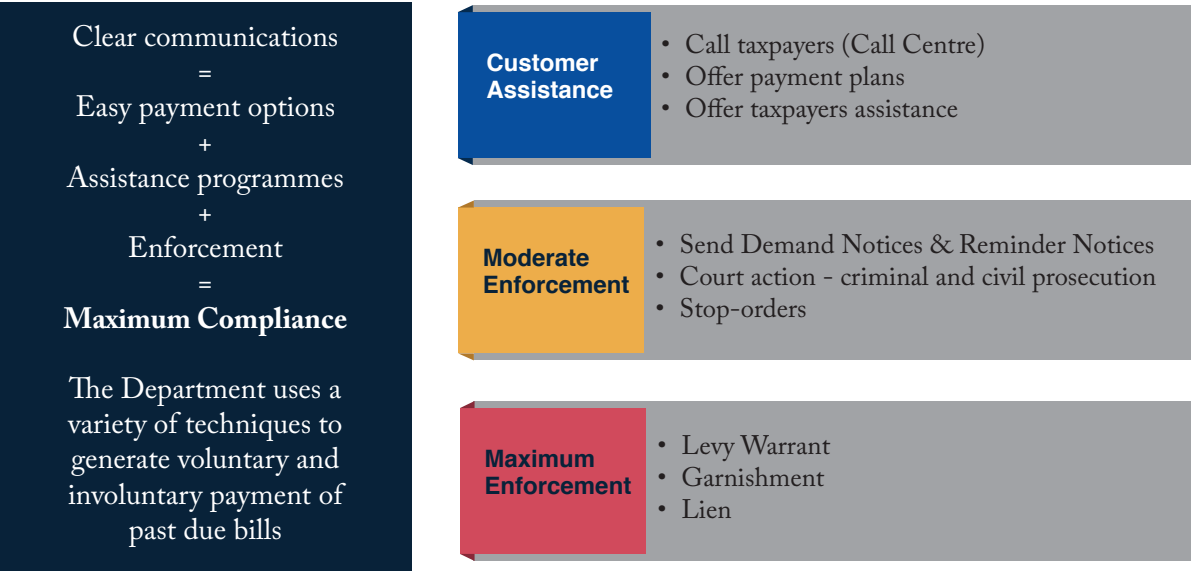


Diagram: City of Philadelphia Department of Revenue adapted by TAJ, April 2017

APPENDIX 4: PERFORMANCE MONITORING & REPORTING FY2017/18

KEY PERFORMANCE INDICATORS (KPIS)

TAJ's key performance indicators against the risk treatment strategies outlined in this compliance plan are set out below. These key performance indicators will receive special monitoring attention by TAJ's senior management during the course of FY2017/18 and provide clear indications surrounding the effectiveness of efforts to implement this compliance plan.

No#	KEY PERFORMANCE INDICATORS
	<i>Domestic Revenue Collected</i>
1	Gross Tax Revenue
2	Refunds, payments and dishonored cheques
3	Net Tax Revenue
4	Net revenue collected as a percentage of tax types
5	Net revenue collected as a percentage of projections
<i>Arrears Management</i>	
6	Total stock of arrears by core tax type and segments
7	Percentage of stock collectible to non-collectible
8	Percentage collected over collectible amounts
9	Value of arrears as a percentage of net revenue
10	Value of arrears collectible as a percentage of net revenue
11	Government to non-government debt
12	Number of new arrears cases received
<i>Filing Compliance</i>	
13	Percentage of CY returns filed on time
14	Percentage of CY returns filed late
15	Percentage of stop-filers
16	Percentage of taxpayers registered for e-filing
17	Percentage of CY returns filed online
18	Percentage of mandatory e-filing compliance
19	Value and number of e-filing transactions
<i>Payment Compliance</i>	
20	Amount of e-payments
21	Percentage of taxpayers that pay on time
22	Amount of payments made per payment method
<i>Payment Compliance</i>	
23	Percentage of CY payments made online
24	Percentage of CY payments made on time according to taxpayer segmentation
<i>Correct Returns (Includes Audit)</i>	
25	Number of taxpayers audited by audit type
26	Number of case years (Returns) completed according to audit type
27	Percentage of large and medium taxpayer audited
28	Value of audit tax change according to audit type (comprehensive, issue, single, desk)
29	Value of audit tax change issued according to tax types

No#	KEY PERFORMANCE INDICATORS
30	Value of Gross Audit Yield according to tax type and audit type
<i>Objections</i>	
31	Number of objections on hand
32	Percentage of objections finalised within 3-6 months of lodgment
33	Discharge rate of objections
34	Number of objections lodged
35	Number of objections finalised
36	Percentage of objections due to Best Judgement Assessment
12	Number of new arrears cases received
<i>Enforcement Action e</i>	
37	Summons issued for failure to file
38	Garnishee Orders, Judgement Orders, Liens and Warrants of Disobedience
<i>Registration</i>	
39	Number of taxpayers registered for additional tax types
40	Number of new taxpayers registered (voluntary, 3rd party data and compliance)
41	Number of de-registered (taxpayers, tax types)
42	Number of (active) taxpayers' records updated
<i>Taxpayer Service & Education</i>	
43	Percentage and number of outreach activities conducted
44	Number of surveys and studies conducted
45	Level of customer satisfaction and perception
46	Percentage of selected services delivered within standard time

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