The Accelerated Capital Allowance Regime

Effective January 1, 2025 and applicable to capital expenditure incurred on specified assets during the period January 1, 2025 - December 31, 2026

I. Purpose

The purpose of this brochure is to provide guidance on the administration of the Accelerated Capital Allowance Regime.

II. Background

The the Accelerated Capital Allowance Regime is one of the Revenue Measures that was announced by the Honourable Minister of Finance for the fiscal year the 2025 /2026. This Regime is designed to allow a shorter write-off period for capital expenditure incurred during the period January 1, 2025 - December 31, 2026 on some items of plant and machinery as well as commercial buildings . The objective of this initiative is to facilitate retooling for efficiency and growth, as well as to encourage capital investment in the local economy.

A capital allowance regime is the mechanism by which capital expenditure on assets is written-off for tax purposes.

Capital allowance is the portion of capital expenditure that is allowed as a deduction against business income in any year of assessment.

III. Legislation

Effective January 1, 2025, the First Schedule to the Income Tax Act was amended by the Provisional Collection of Tax (Income Tax) Order, 2025 to provide for the claiming of capital allowance under this Regime.

IV. Main Features of this Regime

- A new ***"Special Allowance"*** was introduced in respect of industrial buildings and structures as well as non-residential buildings.

  See rates in Table 1 overleaf

- The rates of the ***initial allowance and annual allowance*** in respect of industrial buildings and structures as well as specified plant and machinery have been increased.
- The higher rates of annual allowance are applicable to qualifying capital expenditures until those expenditures are fully written off.
- Capital expenditure incurred on non-residential buildings qualify for initial allowance and increased rates of annual allowance.

VI. Assets which Qualify for Accelerated Capital Allowance

- **Buildings**

  Non-residential Building

  A building or structure which is used or occupied primarily for the purpose of trade, business, profession or vocation and **not** primarily as a residence (living accommodation) for the owner/taxpayer**.**

  Industrial Buildings

  These include buildings used in manufacturing, trade, storage and transportation, as well as those used as hotels, hospitals, multi-storey car parks, buildings located in the Special Economic Zones, those used in primary production (ie. agriculture, apiculture, aquaculture, horticulture, forestry) and any other that may be prescribed.

- **Machinery & Plant**

  This category generally includes tangible assets used to generate income (except land,and buildings).

  Examples of assets in this category are equipment, machinery, fixtures & fittings, furniture, boats, aircraft etc.

  NB. *Some items of **machinery and plant** do not qualify for Accelerated Capital Allowance, see details immediately below*

VII Assets which DO NOT Qualify for Accelerated Capital Allowance

- **Motor Vehicles-** These fall within any classification under section 6 of the Road Traffic, Act 2018 and include vehicles with motive power; or trailers when pulled or towed by a vehicle with motive power
- **Office equipment falling under Tariff heading 84.69 & 84.72**
- **Telephone and other equipment falling within Tariff Heading 85.17)**.
- **Intangible Assets**

The capital expenditure on these assets are to be written-off using the capital allowance rates, which came into effect on January 1, 2014. This rule applies even if the capital expenditures on those assets are incurred during the period January 1, 2025 - December 31, 2026. The capital allowance rates for those assets are shown on the attached Rate Schedule (B).

Details regarding the above mentioned tariff code may be obtained at **https://jets.jacustoms.gov.jm/portal/services/tariff/chapter.jsf?c=84**

VIII. Types of Allowances Available Under the Accelerated Capital Allowance Regime

- ***Initial Allowance (IA)***

This is a one-time allowance given in respect of capital expenditure incurred on assets used in earning taxable income. The assets that qualify for this allowance are as follows:

- machinery and plant used in production of primary products, manufacturing, automated packaging, automatic data processing and other similar equipment in the year of purchase, alteration or improvement
- industrial buildings and structures which are constructed, altered, renovated, or purchased for renovation. It is claimable when the building is first brought into use.
- non-residential buildings constructed, altered, renovated, or purchased for renovation during the period Jan. 1, 2025 – Dec. 31, 2026. It is claimable when the building is first brought into use. In respect of buildings that are purchased for renovation, IA is available only if:

a) the building is ***brought into use within four (4) years*** of the date of acquisition as an industrial building or structure, or a non-residential building for the purpose of trade ***carried on by the owner;***

b) the ***renovation is completed within four (4)*** years; and

c) the capital expenditure in respect of the ***renovation is at least 80% of the purchase (price) of the building or structure.***

- ***Special Allowance (SA)***

This allowance is available in respect of capital expenditure on industrial buildings and structures as well as non-residential buildings which are constructed, altered, renovated or purchased for renovation within the period January 1, 2025 to December 31, 2026. SA is to be claimed in the year immediately following the one in which the initial allowance was claimed. Consequently, capital expenditures which do not qualify for IA do not qualify for SA either. SA is to be taken into account in computing the written down value of buildings. It is ***not*** to be confused with special annual allowance or special capital allowance which were two (2) sector-based allowances which were repealed by the ***Fiscal Incentives (Miscellaneous Provisions) Act, 2013.***

- ***Annual Allowance (AA)***

This allowance is to be claimed for each year that the asset remains in use for business at the end of that financial year. Further, it is available until the capital expenditure is written off (including the 1st year and 2nd year when IA and SA is claimed respectively), and is to be computed on cost.

Allowance / Charge Associated with the Disposal of Assets or its Permanent End of use in the Business

- ***Balancing Allowance (BA)***

This is an allowance given in the year when an asset is disposed of or it ceased to be used in the business, and its written down value (WDV) (total capital expenditure minus the total capital allowance to date) is ***GREATER*** than the disposal proceeds of the asset. The allowance is the difference between the WDV and the disposal proceeds.

- ***Balancing Charge (BC)***

This is a repayment of some or all of the capital allowance previously claimed in the year when the asset is disposed of or when it ceased to be used in the business. This occurs when the WDV is LESS than the disposal proceeds on the asset. The charge is the difference between the WDV and the disposal proceeds (restricted to the capital allowance previously claimed).

NB. All the rules regarding the claiming of capital allowance as laid out in the First Schedule to the Income Tax Act (including those in Parts X and XI which address connected party transactions and succession to trade) apply to accelerated capital allowance.

IX. Treatment of Accelerated Capital Allowance for Income Tax Purposes

Capital Allowance under this Regime is to be treated in the same manner as other capital allowances. It is an allowable deduction on the Income Tax Return of the owner of the asset. The owner/taxpayer is required to populate the relevant section (s) of the Capital Allowance Schedule (Schedule 2) with the details of the allowance being claimed in respect of each item of asset. With effect from January 1, 2025 that Schedule has been amended to include Section C. This section is to be used to show the details of the accelerated capital allowance being claimed. Assets are to be accounted for on that Schedule as follows:

Section A **-** All assets (**except** motor vehicles and assets which qualify for Accelerated Capital Allowance)

Section B - Motor vehicles

Section C **-** Assets which qualify for Accelerated Capital Allowance

The grand total at section A of Schedule 2 is to be transferred to the Income Tax Return. Schedule 2 is to be uploaded as a supporting document when the Income Tax Return is being filed.

Table #1

ACCELERATED CAPITAL ALLOWANCE RATES For Capital Expenditure Incurred January 1, 2025 – December 31, 2026 (C)			
	Initial Allowance (IA) Rate	**Special Allowance (SA) Rate**	**Annual Allowance (AA) Rate**
BUILDINGS	Available in the year that the building is brought into use	Available in the year immediately following the one in which the IA was claimed	Available each year until the capital expenditure is written off or the asset cease to be used in the trade.
Industrial Buildings			
(a) Buildings and structures primarily constructed of concrete, steel, brick, stone, cement or other similar material	30%	25%	5.5%
(b) Buildings and structures primarily constructed of other inorganic material such as galvanized iron, corrugated metal or similar material	30%	25%	20%
(c) Buildings and structures primarily constructed of wood or other organic materials	30%	25%	20%
Non-residential (Commercial)			
(a) Buildings and structures primarily constructed of concrete, steel, brick, stone, cement or other similar material	12%	8%	5%
(b) Buildings and structures primarily constructed of other inorganic material such as galvanized iron, corrugated metal or similar material	30%	20%	20%
(c) Buildings and structures primarily constructed of wood or other organic materials	36.5%	24%	20%
PLANT & MACHINERY	Available in the year of acquisition		
(a) Machinery directly used in the production of primary products or in the manufacture or automated packaging of goods	40%	-	25%
(b) Automated data processing equipment, calculator, cash registers and other equipment falling within Heading 84.70 and 84.71 of the Jamaica Customs Tariff as well as parts and accessories thereof	40%	-	33 1/3%
(c) Other machinery and plant	20%	-	25%

Note

- The general rule is that initial allowance is to be claimed (written off) only in the year when the buildings or structures are first brought into use. In respect of building which are ***purchased for renovation***, the other legislative criteria as outlined in Paragraph VIII above must also be met.

Illustrations

1. JAT Ltd is a manufacturer and distributor of household items and its financial year is January to December. The company started construction of a warehouse in June 2022. That building was completed in December 2024 and brought into use on January 10, 2025. Does that capital expenditure qualify for capital allowance under the ACA Regime?

   Answer: That capital expenditure does not qualify for **capital allowance under the ACA Regime** ***as it was incurred prior to the effective date of that regime. The company's capital allowance entitlement in respect of that expenditure is under the regime that came into effect January 1, 2014 (See Rate Sheet B)***

Fun-in-the-sun Resort Ltd closed a $ 400 M deal for the purchase of a new hotel (industrial building - concrete structure) on June10, 2025. It is ready for occupation except for the repainting of the main entrance area at a cost of $2 M. It became fully operational in September 2025. Questions 2,3,4,&5 are in relation to this scenario.

2. Is the company entitled to capital allowance under the ACA Regime on the total expenditure?

   Answer: Yes it is, since the expenditure was incurred within the qualifying period (January 1 2025 - December 31, 2026)

3. Is the company entitled to initial allowance on the capital expenditure incurred to purchase the building?

   Answer: No, initial allowance is not available in respect of capital expenditure incurred in purchasing an industrial building or structure in a state that is ready for use.

4. Will the company be able to claim special allowance on capital expenditure incurred to purchase the building?

Answer: No. Given that the capital expenditure in question does not qualify for initial allowance, it does not qualify for special allowance either.

5. What would be the company's CA entitlement?

Answer:

Capital Expenditure (CE)	***Year 1***	***Year 2***	***Until CE is written off***
Purchase Cost - $ 400 M	***AA of 5.5%***	***AA of 5.5%***	***AA of 5.5%***
Alteration Cost - $2 M	***IA of 30% + AA of 5.5%***	***SA of 25% + AA of 5.5%***	***AA of 5.5%***

6. An individual has commenced the construction of a shopping complex in March of 2025. It is scheduled to be brought into use in January of 2028. Will that person be entitled to capital allowance under the ACA Regime?

Answer: Yes, on the portion of the capital expenditure that is incurred during the period January 1, 2025 - December 31, 2026. The allowances will be claimed when the building is brought into use.

For further details - call: 1-888-**TAX-HELP** (829-4357)/1-888-GO-JA-TAX (465-2829) / Email: taxhelp@taj.gov.jm / Website: www.jamaicatax.gov.jm Facebook: www.facebook.com/jamaicatax

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