

TAX ADMINISTRATION JAMAICA (TAJ)

Changing the way we do business

*Budget in Brief
Strategic Focus
Minimum Business Tax
GCT on Govt Purchases*

From: Commissioner General TAJ
To: Our Valued Stakeholders

As we begin the new fiscal year, TAJ will also begin to implement its new strategic focus for 2014-2015.

The year promises to be a challenging one for all of us, with the introduction of new policies and programmes. However, as an administration we commit to working with our valuable stakeholders to ensure that they are kept informed of any changes and to get their feedback on how we do business.

Greater focus will be placed on compliance in all areas, registration, filing, payment, reporting. This is particularly important as we work to ensure that everyone pays their fair share. As we had earlier announced, starting this fiscal year, we will be employing the use of 3rd party information to promote a greater level of compliance. This strategy will lend itself to greater transparency and support the funding of Government programmes.

We will continue to focus on SERVICE, EDUCATION and ENFORCEMENT to achieve our mission "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."

We ask that you continue working with us as we continue working together to serve your EVEN better.

*Ainsley Powell
Commissioner General (Acting)*

BUDGET IN BRIEF

The Minister of Finance and Planning (MoFP), the Hon. Peter Phillips recently tabled in Parliament the Revenue Measures for Fiscal Year 2014-15. The MoFP advised that "the revenue measures are predicated on the essential tenets of the tax reform, including providing amendments to existing taxes to improve tax efficiency and effectiveness."

Following discussions with stakeholders and having regard to the concerns of both the general public and the financial sector (banking and insurance sub-sectors) some of the measures were however changed and Revised Revenue Measures laid before the House on April 30, 2014, during the closing of the Budget Debate.

The MoFP announced the withdrawal of the following previously proposed revenue measures:

1. Levy on withdrawals from deposit-taking institutions and encashment from securities dealers
2. Increase in the premium tax for regionalised and non-regionalised life assurance companies to 5.5%
3. Increase in the investment tax for insurance companies to 20%

The summary of the revised revenue measures, including the unchanged ones tabled on April 17, 2014 and subsequent announcements, that will now be administered by TAJ are:

GCT on second sale of motor vehicles expanded to 10 years old vehicles

Effective **April 1, 2014**, the age limit of second hand sale vehicles to which GCT is applicable is increased from eight (8) years to ten (10) years.

The increase in the age limit will not affect the rates to be charged, which remain unchanged, as follows:



The Hon. Peter Phillips, Minister of Finance and Planning addressing Parliament.

DESCRIPTION	GCT
Motor Cars - CC Rating	
0 - 1999 cc	\$10,000
2000 - 2999 cc	\$15,000
3000 cc & upwards	\$20,000
Motor Trucks - CWT	
0 - 30 cwt	\$10,000
31 - 60 cwt	\$10,000
61 cwt & upwards	\$25,000

Reminder: Registered taxpayers are required to charge GCT at 16.5%.

Increase in Asset Tax

It is proposed that effective **May 1, 2014** Asset Tax will be increased. For specified companies regulated by the Bank of Jamaica (BOJ) and the Financial Services Commission (FSC), such as deposit taking institutions, insurance companies and securities dealers, the rate will be increased from 0.14% to 0.25%. In respect of Life Assurance Companies (only) they will be required to pay 1.00%, for a period of one (1) year.

For other entities, that is unregulated companies and societies registered under Industrial and Provident Societies Act, subject to Asset Tax, the new rates now payable will be as follows:

ASSET VALUE	ANNUAL TAX
At least \$50M	J\$200,000
At least \$5M but less than \$50M	J\$150,000
At least \$500,000 but less than \$5M	J\$100,000

BUDGET BRIEF (cont'd)

The tax for the categories of entities with asset values of at least \$50,000 but less than \$500,000 and values of less than \$50,000 remain unchanged at \$25,000 and \$5,000 respectively.

The filing/due date for Asset Tax Return remains March 15.

Unification of SCT on alcoholic beverages

Currently there are different rates of Special Consumption Tax (SCT) for different alcoholic beverages. A single specific SCT is to be introduced at \$1,120 per litre, per annum, removing anomalies which previously existed. However after consultation with the Tourism sector, the effective date for this sector (only) is delayed to **June 1, 2014**.

Introduction of Withholding Tax on insurance premiums paid to non-resident by a person resident in the island

Effective **May 1, 2014** a withholding tax of fifteen percent (15%) will apply to insurance premiums paid by Jamaican residents to non-residents.

This new provision will not apply in certain circumstances.

Amendment to the Rules Relating to GCT on Imported Services

The GCT Act is to be amended to provide for:

- ⇒ Certain restrictions to input tax credit on imported services, which will take effect **June 1, 2014**.
- ⇒ A definition of imported services is to be inserted in the GCT Act.

Increase in Personal Income Tax Threshold

Effective **January 1, 2015**, the Personal Income Tax (PIT) Threshold will increase from \$507,312 to \$557,232 per annum (up by \$49,920).

General

Discussions and the mechanisms for the implementation of some of the revenue measures are being finalised.

The technical team within Tax Administration Jamaica (TAJ) is working to develop technical guidance notes, outlining how the changes will be administered. TAJ will be holding sensitisation sessions in the coming weeks to update stakeholders on these and other changes. Information will also be posted on the TAJ corporate website www.jamaicatax.gov.jm at each phase of the implementation.

THINGS TO NOTE FOR JUNE

Registration of Charities June 24, 2014

Charities are reminded that with the Charities Act, 2013 now in effect, they are required to register/re-register as a *Registered Charitable Organisation* to automatically benefit from specific tax concessions.

Charities approved by TAJ prior to January 2014 have a six month transition period to register under the Act. During this period these charities will continue to benefit. Charities **MUST** register by June 24 or lose their tax concessions.

Application is to be made to the Department of Co-operatives and Friendly Societies,
2 Musgrave Avenue, Kgn. 10

Hotel Incentives Election June 30, 2014

The Hotels (incentive) Act was repealed effective January 1, 2014. Beneficiaries have the option to stay with their existing incentives or to go with the new regime under the Fiscal Incentives (Miscellaneous Provisions) Act, 2013.

For those electing to opt out, they have until June 30, 2014, to indicate in writing to the Commissioner General, to/be:

- ⇒ Eligible for Employment Tax Credit
- ⇒ Eligible for customs and additional stamp duty exemptions
- ⇒ Continue to charge GCT at 10% on tourism activities.

3rd party information report June 30, 2014

As announced previously, the Revenue Administration Act (RAA) was amended in 2013 to make provisions for TAJ to enforce revenue collection by improving the exchange of information and having access to 3rd party information.

As a result, starting June 30, 2014 several entities will be required to file returns detailing information relating sales and their business done with service providers, such as contractors.

Sensitisation sessions have been held with a number of stakeholders to brief them on the requirements. This group will be expanded in phases.

BREAKING NEWS

SARA UPDATE

TAJ is working towards implementing a new governance structure, with a Board now in operation, and the task of filling posts created for the new Semi-Autonomous Revenue Authority (SARA).

ITAS PROJECT UNDERWAY

A project to introduce a new Integrated Tax Administration System (ITAS) is now underway. The international firm FAST Enterprises has been contracted to carry out the two-year project, to be funded by the IDB under the Fiscal Administration and Management Project (FAMP). ITAS will offer greater functionality to TAJ and our valued stakeholders.

SIGNING OF FATCA

May 1, 2014 marked the signing of the agreement between the Government of Jamaica (GOJ) and the United States of America (USA) to implement the Foreign Account Tax Compliance Act (FATCA). This is aimed at improving international tax compliance between the GOJ and the USA.

REMOVAL OF GCT DEFERMENT ON PACKAGING

Effective June 1, 2014 TAJ will no longer issue certificates for GCT waivers on packaging material. Waiver certificates expiring beyond that date will be revoked.

FACELIFT FOR DONALD SANGSTER BUILDING

This year TAJ will be undertaking a number of projects aimed at enhancing its physical infrastructure. One such project is the renovation of the Sir Donald Sangster Building, a.k.a. the "Round Building" or "East Street Office". The project is expected to be completed by October 2015. It is slated to house the Management Services Division of TAJ.

Minimum Business Tax

As part of the Government's initiative to widen the tax base, the Minimum Business Tax (MTB), which was announced in a previous budget, became effective April 1, 2014.

Legal Reference

The Provisional Collection of Tax (Minimum Business Tax) Order, 2014

The Tax

The MBT of \$60,000 will apply to year of assessment 2014 and onwards on every specified taxpayer.

Specified Taxpayer

A **company or body corporate**, (other than an entity that is a charitable organization registered under the Charities Act) incorporated or registered under any of the following enactments:

- ⇒ The companies Act
- ⇒ The Building Societies Act
- ⇒ The Friendly Societies Act
- ⇒ The Industrial and Provident Societies Act

An **individual** who operates a trade, profession, vocation or business that has gross revenue in any year of assessment in which the minimum business tax is payable of not less than \$3,000,000.00.

The Cash Flow Projection of the business should assist in

the determination of Revenue in absence of a prior year financial statement.

Payments

To be made in year of assessment in two instalments:

- ⇒ \$30,000 by June 15
- ⇒ \$30,000 by September 15

Even though the MBT became effective on April 1, there is no pro-rating and the total \$60,000 must be paid in calendar year 2014.

Penalties

Where the amounts are not paid on time, penalty will accrue on all unpaid amounts at the rate of 1 ½% of the minimum business tax per month or part thereof until the liability is cleared.

Where penalties were levied on an individual's account and the Commissioner General determines that his/her income tax liability is equal to or less than the minimum business tax, the liability of the individual (the minimum business tax) will be discharged along with all penalties.

It should be noted that the minimum Business Tax is regarded as being outstanding if it is unpaid as at the first day of the calendar month following the due date for payment.

Will the Minimum Business Tax replace the annual income Tax payable?

The minimum Business Tax will **not** replace the annual income tax payable but will be treated as an advance payment and credited against any income tax liability for the year of assessment.

Credits and Refunds

COMPANY	INDIVIDUAL
Can use MBT as a credit against income tax liability for that year of assessment	Can use MBT as a credit against income tax liability for that year of assessment
Cannot use excess MBT to offset MBT for any subsequent year of assessment	Cannot use excess MBT to offset MBT for any subsequent year of assessment
Cannot claim a refund in excess of income tax liability	Can claim a refund in excess of income tax liability
	Can credit the amount in excess of income tax liability against income tax payable in any subsequent year of assessment

Strategic Focus 2014-2015

SECTOR FOCUS

Emphasis will be placed on using third party information within the following industries:

- ⇒ Distributive sector (GCT & Income Tax)
- ⇒ Financial
- ⇒ Government (GCT, PAYE)
- ⇒ Utilities
- ⇒ Health Insurance providers
- ⇒ Construction (construction products, PAYE-sub-contractors contracts and GCT)
- ⇒ Gaming (strategies to enforce new laws)

TAX TYPES

Additionally compliance will also focus on the following tax types and specific areas:

- ⇒ PAYE (filing & payment)
- ⇒ GCT (registration, filing, payment)
- ⇒ Income Tax (filing & payment)
- ⇒ Contractors Levy (filing & payment)
- ⇒ Betting & Gaming (filing & payment)

OPERATIONAL ACTIVITIES

- ⇒ Tax Collection Act (Write-Off) Regulations- 2013
- ⇒ Mandatory e-filing on a phased basis
- ⇒ Accessing 3rd party data through the requirement to file Information Returns
- ⇒ New tax returns to harmonize with new legislation
- ⇒ Mechanism to monitor the ETC claimed and other aspects of the Fiscal Incentive Regime
- ⇒ Data-mining of information received from 3rd parties



Having difficulty remembering filing/expiry dates?

SIGN UP FOR TAXREM

For more info call 1-888-TAX-HELP (829-4357) taxhelp@taj.gov.jm / www.jamaicatax.gov.jm



GCT ON GOVERNMENT PURCHASES

As of June 1, 2014 the zero-rating of invoices for Government entities will be discontinued. With the introduction of this new policy, Ministries, Departments and Agencies (MDAs) must pay GCT at the applicable rates on purchases from suppliers.

However, MDA's will not pay the invoiced GCT amount to the supplier, instead they will withhold the GCT charged on the purchase of goods and services. They will then issue a withholding GCT certificate (WTC) to the supplier within 30 days of receiving an invoice; indicating the amount of GCT withheld, and pay that amount to the Commissioner General, Tax Administration Jamaica (TAJ). The certificate entitles the taxpayer to claim the amount of GCT withheld as a tax credit.

In relation to imports, MDA's will pay GCT on goods imported to the Commissioner, Jamaica Customs Agency.

It should be noted that a registered taxpayer whose invoiced GCT has been withheld will be required to file a GCT Return and pay the tax charged, irrespective of whether the tax has been or will be withheld. The same situation applies irrespective of whether or not the taxpayer has been paid.

TAX WITHHOLDING ENTITY (TWE)

The following MDA's will be registered as a Tax Withholding Entity (TWE):

- ⇒ A Ministry, Department or Agency of Government, or Executive Agency;
- ⇒ A statutory body or authority including those specified in Part 1 of the Third Schedule to the Order;
- ⇒ Any Parish Council or Municipality; and
- ⇒ The Kingston and St. Andrew Corporation.

SUPPLIES LIABLE TO WITHHOLDING GCT

The withholding GCT will only be applicable to taxable goods and services, therefore no GCT is to be withheld in relation to exempt goods and services and zero-rated supplies.

IMPORTATION OF GOODS BY GOJ

GCT is to be paid to the Commissioner of Customs at the time of importation. The 5% advanced GCT should not apply if the agency is the final user of the imported goods. However, where a government agency is a registered taxpayer and imported taxable goods for resale, the 5% GCT is applicable.

REFUND OF EXCESS CREDIT

A taxpayer is authorized to claim back the withheld GCT on his GCT returns provided he is in possession of withholding GCT certificate (s). By withholding 100% GCT payment from the taxpayer, he may have excess credit and thus in a refund position. He can request a refund to be paid directly to him or he can indicate that the excess credit should remain to pay future liability.

Under the new regime a registered taxpayer who supplies goods or renders services to a TWE is required to:

- ⇒ charge GCT on all taxable supplies;
- ⇒ issue a tax invoice;
- ⇒ account for the GCT charged, as output tax, on the return for the period which the supply was made (invoice basis); or
- ⇒ account for GCT as output tax, when payments are received (payment basis);
- ⇒ use the withholding tax certificate to claim the amount of GCT withheld as a tax credit in the taxable period in which the withholding tax certificate was issued.

TREATMENT OF CHARITIES

Schools and Registered Charities will continue to be permitted to purchase certain goods without the payment of GCT and will therefore still need to have their invoices zero-rated at the Tax Office.

A technical note will be made available on the TAJ website, that will provide more details. Sessions will also be held with MDAs and other stakeholders to guide them on the new policy.

OTHER

TAX WITHHOLDING ENTITIES

With the introduction of the new policy, The following government entities which are not eligible for zero-rating will be designated as Tax Withholding Entities for the purposes GCT Act:

- ⇒ Air Jamaica Limited
- ⇒ Airports Authority of Jamaica
- ⇒ Bank of Jamaica
- ⇒ Betting, Gaming and Lotteries Commission
- ⇒ Development Bank of Jamaica Limited
- ⇒ H.E.A.R.T. Trust
- ⇒ Jamaica Deposit Insurance Corporation
- ⇒ Jamaica Mortgage Bank
- ⇒ Jamaica Racing Commission
- ⇒ Jamaica Sugar Holdings Limited
- ⇒ National Housing Development Corporation
- ⇒ National Housing Trust
- ⇒ National Insurance Fund
- ⇒ National Investment Bank of Jamaica
- ⇒ National Water Commission
- ⇒ PetroJam Limited
- ⇒ Petroleum Corporation of Jamaica
- ⇒ Port Authority of Jamaica
- ⇒ Sugar Industry Authority
- ⇒ Transport Authority
- ⇒ Urban Development Corporation

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CUSTOMER SERVICE



Tax Administration Jamaica

For more info call 1-888-TAX-HELP (829-4357) / taxhelp@taj.gov.jm / visit www.jamaicatax.gov.jm



Connecting with Customers



Ainsley Powell (left) - Commissioner General (Actg.), TAJ in discussion with Christopher Zacca - President PSOJ at the March 2014, PSOJ President's Forum, where he presented on the new approaches to improving doing business with TAJ. (PSOJ photo)

Tax Administration Jamaica (TAJ) continues to engage our stakeholders through various channels such as telephone contact, social media, workshops, seminars, sensitization sessions, expos and speaking engagements.

Taxpayer Education Teams

Our Taxpayer Education Teams are at the heart of our outreach activities. There are seven (7) teams operating across the island, to service the needs of our diverse clients. This group caters primarily to the very important micro, small and

medium enterprise (MSME) segment, participating in seminars, workshops and expos.

Client Relationship Managers

Our large taxpayer segment is serviced by Client Relationship Managers (CRM), whose responsibility it is to ensure that their clients are kept abreast of changes to our operations and the introduction of new services and/or tax measures.

Customer Care Centre

The Customer Care Centre (CCC) provides call centre activities. Persons, here and abroad, may

contact the CCC at 1-888-TAX-HELP (829-4357) (local), or 1-888-GO-JATAX (46-52829)(USA) to get general information on a wide range of tax matters.

Executive Speakers

The Commissioner General and other members of the TAJ management team periodically addresses business and professional associations on critical tax issues impacting the nation.

To make arrangements for sessions, etc. persons may email communications@taj.gov.jm



File and Pay Online,
THE EASY WAY

EMPLOYERS
Remember to File and Pay
your monthly payroll
deductions (S01) each
month by the 14th

File and Pay Ontime
and you will
Benefit from Employment
Tax Credit (ETC)

THROUGH THE FIRE



On the morning of Wednesday April 2, 2014, fire broke out at the NCB South Towers, Oxford Road, where TAJ occupies the 6th and 9th floors. Thankfully no member of staff was injured or any serious damage done to documents.

However, in the wake of the fire several units of TAJ had to be relocated, as there was fire, water and smoke damage on the 9th floor, that housed our Human Resource Section, Planning Unit and Forms, Manuals and Procedures Team. The 6th floor, from which our Kingston Audit Team Operated, was affected by smoke.



Temporary arrangements have been made for staff. Audit staff from the 6th floor were temporarily relocated. They have however now resumed operations on the 6th floor of the NCB South Tower.

The Staff from the 9th floor will be relocated for a longer period. The Staffing and Benefits Unit, as well as a few persons from the OD and Employee Relations Units will be housed temporarily in the basement of the NCB South Tower. The other HR personnel will be based at TAJ Training, Office Centre Building, 6th floor. The Planning Unit will operate from the TAJ Head Office, while the Forms Team will be stationed at the Annex of the Office Centre Building, Ocean Boulevard.

PAY YOUR PROPERTY TAX

Payments can be made in quarterly / half yearly installments and **can be made online** using a credit card at **www.jamaicatax-online.gov.jm**



FOR MORE INFO:-
Call 1-888-TAX-HELP (829-4357) / www.jamaicatax.gov.jm

COMPLIANCE CHECKLIST



Questions to Ask Yourself:

- ⇒ Am I duly registered where this is required?
- ⇒ Have I filed all relevant returns with TAJ?
- ⇒ Have I filed on or before the due dates?
- ⇒ Are my returns accurate?
- ⇒ Have I paid all liabilities?
- ⇒ Were payments made on or before due dates?

NO to any means you are NOT 100% compliant and could be subject to enforcement actions.

Things You Should Do

- ⇒ Know ALL tax filing/payment dates; Interest & penalties apply to late payments
- ⇒ Think "TAX" in planning & forecasting
- ⇒ Keep records for minimum 6 years
- ⇒ Speak with a Compliance Officer if you receive a tax notice or have a difficulty meeting obligations
- ⇒ Request statement of account
- ⇒ Remember tax evasion is a criminal offence
- ⇒ Maintain mutual respect between Tax Officer & Taxpayer
- ⇒ Refer unresolved matters to General Managers RSC

FOR MORE INFORMATION

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

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

CUG: 839-9417, Tel.: 922-8742, Fax: 754-9593, email: communications@taj.gov.jm

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