



Tax Administration Jamaica
Working together to serve you EVEN better

National Compliance Plan *Financial Year 2018/19* Changing the way we do business



“An educated taxpayer and
one who receives the relevant
assistance is a more
compliant taxpayer”



The values of our Organization

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

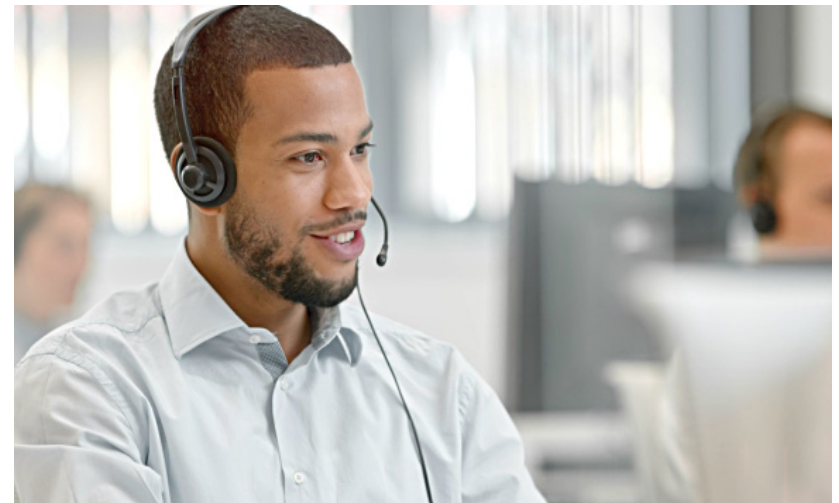
AT	Asset Tax	NHT	National Housing Trust
BEP	Base Erosion Profit Shifting	NIS	National Insurance Scheme
CIT	Company Income Tax	OECD	Organization of Economic Corporation
ETC	Employee Tax Credit	PAYE	Pay As You Earn (via withholding by employers)
EdTax	Education Tax	PIT	Personal Income Tax (also referred to as Individuals Income Tax (IIT))
FDMU	Forensic Data-Mining Unit	RSCs	Revenue Service Centres
FID	Financial Investigation Division	SCT	Special Consumption Tax (i.e. Excise Tax)
GART	Guest Accommodation Room Tax (i.e. hotel room tax)	SEZ	Special Economic Zones
GCT	General Consumption Tax	STAP	Special Taxpayer Assistance Programme
GDP	Gross Domestic Product	TAJ	Tax Administration Jamaica
IIT	Individual Income Tax	TPD	Third Party Data
JEFZA	Jamaica Export Free Zone Act	WHT	Withholding Tax
KYTC	Know Your Taxpayer Concept		
MBT	Minimum Business Tax		
MNC	Multinational Corporation		
MSME	Micro, Small and Medium Enterprises		

Changing
the way
**we do
business.**



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Executive Summary

The National Compliance Plan for fiscal year 2018/19 provides a framework for the treatment of tax compliance risk factors identified in Jamaica's tax system.

AVAILABLE RESOURCES

The top performing sectors within the economy were analyzed and the compliance patterns of taxpayers within the various sectors noted. The results of these analyses guided the development of audit and compliance activities to be pursued. Within this context, compliance risk management is strengthened, as this approach ensures not only that taxpayers with compliance risks are identified, but also that those with the ability to pay will be engaged, thus making greater use of available resources.

CUSTOMER SERVICE

As is customary, taxpayer education and service will be the fulcrum to drive increased voluntary compliance and this will be carried out equally alongside audit and compliance activities; or at the forefront, where applicable. Whilst there will be a strong focus on delivering taxpayer education and services generally, the Authority's ultimate goal is to

increase the customer service experience of each taxpayer with whom it has interactions as it relates to the different compliance matters.

Further, TAJ continues to assess the level of professional service it delivers through surveys conducted internally, as well as, by external independent contractors. These surveys assist in the development of new service delivery channels as well the sustainability of existing ones that taxpayers utilize to facilitate timely compliance, at reduced costs.

IMPROVING COMPLIANCE

The Authority is further expanding the suite of online facilities to enable timely and cost effective compliance. In line with international best practice, there is intensification towards compulsory eFiling of Tax Returns. By the end of the FY 2018/19 General Consumption Tax; Special Consumption Tax; Company Income Tax and Asset Tax Returns will

only be accommodated via eFiling, thus making it five tax types (including Pay As You Earn) to be submitted through this medium.

The compliance management framework has been strengthened with the advent of Third Party Data. For that reason, TAJ reaffirms its commitment to the Government to increase tax revenues by improving compliance through improved data management, rather than as a result of a change in the tax base or increased rates. The information garnered from data-mining activities revealed major gaps in the small and micro sectors which were instrumental in widening the tax net during FY 2017/18. It is expected that there will be further narrowing of the tax gap in FY 2018/19 as greater control over the collection, management and governance of tax data is implemented.

REVERSE THE TREND

Finally, the Authority will intensify the use of more aggressive measures in its tax arrears management programme, in order to reverse the trend in the accrual of tax liabilities. Taxpayers will continually be encouraged to make payments by the stipulated due dates and will be afforded the necessary taxpayer service and education to facilitate same. Where they are unable to pay all outstanding liabilities they are further advised to enter into payment arrangements and adhere to the established/agreed terms. However, for those taxpayers who continuously refuse to comply or ignore the Authority's efforts to assist in compliance, greater enforcement strategies will be deployed to effect the desired compliance outcome.

Introduction

Tax Administration Jamaica (TAJ) is the primary revenue collecting agency for the government of Jamaica. TAJ therefore plays a crucial role in ensuring that there is macroeconomic stability and growth

VOLUNTARILY COMPLIANCE

The mandate of the Authority is to ensure that taxpayers meet their obligations through voluntarily compliance or enforcement effort, within the ambit of the prevailing tax laws. These guiding principles ensure that the domestic revenues are collected in an effective and efficient manner.

The National Compliance Plan for fiscal year 2018/19 provides a framework for the treatment of tax compliance risk factors identified in Jamaica's tax system. It is intended that the compliance objectives will be met through a better understanding of taxpayer circumstances, needs, attitudes, abilities and behaviours. To this end, there will be continued focus on taxpayer education, service and enforcement interventions in keeping with Organisation for Economic Co-operation & Development (OECD) Framework.

The Authority will continue its thrust to make it easier for taxpayers to meet their compliance obligations by educating them, simplifying tax administration requirements and making more efficient and cheaper service delivery channels available to taxpayers.

Figure 1: Compliance Risk Management Process



European Union, 2010.

Compliance Risk Management Guide for Tax Administrations

KNOW YOUR TAXPAYER CONCEPT (KYTC)

TAJ is committed to delivering the highest level of customer service and for this to happen, greater attention will have to be placed on taxpayers' compliance behaviour as well as motives for the actions taken by taxpayers.

Consequently, the 'Know Your Taxpayer Concept' (KYTC) will be further extended so that closer monitoring of compliance behaviour of the top three hundred taxpayers from each Revenue Service Centre (RSC) can be observed. These are the Authority's major taxpayers therefore their compliance behaviour would be most important not only as it relates to their revenue contributions, but also as they are perceived as good corporate citizens for others to emulate. The initiative proposes that TAJ seeks to become more aware of the intricacies of these taxpayers' business operations and undertake a proactive approach to facilitate optimal levels of tax compliance



The KYTC encompasses each of the four categories of compliance risk management, namely Registration, Filing, Reporting and Payment. The RSCs' top taxpayers' compliance behaviour, patterns or declarations will be monitored so that instances of non-compliance can be easily detected and the necessary actions taken. Matters relating to these taxpayers will be dealt with expeditiously and efforts are to be made to better understand their behaviour patterns, as well as any other impacting variable which determines the level of compliance risk, so that the appropriate treatment strategies can be applied. It almost goes without saying that taxpayer education and service will be at the fore-front of the strategies applied to facilitate (improved) compliance.

TAJ'S COMPLIANCE STRATEGIES

Customer Service	Technology	Relevant Legislations	Communication	Risk Management	Compliance Activities
Taxpayer Service	Website Information	Authority to gather information and enforce laws	Technical Notes, Bulletins & Guidance	Data-Mining	Taxpayer & Tax Type Registrations
Taxpayer Education	Online facilities: • e-filing • e-payments	Third Party Legislation	Revised Tax Forms	Exchange of Information	Submissions of Returns
Outreach Programmes	Filing Centres	Transfer Pricing (anti-avoidance legislation)	Media	Research & Studies	Audits
Seminars	RAiS	International Tax Treaties & Conventions	Notices & Letters	Information Reporting	Automated Estimated Assessments
Surveys	Web Mail and Messages	Amended domestic tax legislations	Engagement with External Stakeholders	Tax Withholding	
Call Centre		Incentives	Organizational Changes	New 3rd Party Data Sources	
Training		Sanctions	Publications and pamphlets		
Advisory visits		Penalties & fines			

Risk Management Approach

In keeping with the best practices of other revenue agencies with successful tax systems, TAJ continues its risk based approach to tax compliance management for FY 2018/19. The essence of such an approach is to so concentrate the resources of the Administration, where appropriate, to the corresponding risks.

SECTOR ANALYSIS

Analysis of the macro economy was conducted using the Gross Domestic Product (GDP) as the driver. Given that there is a causal link between GDP and tax revenue inflows, it was decided to examine the top ten (10) economic sectors whose contribution to GDP represented 81% of GDP for Year of Assessment Year of Assessment 2016 and determine what has been their contribution to revenue collections for the corresponding periods

TAJ Compliance Risk Strategies FY 2018/19

Sector Analysis - targets taxpayers whose revenue contribution is low in economic sectors, which largely contribute to the Gross Domestic Product (GDP).

Improve & Extend Data-matching capabilities

Strengthen capacity to create holistic profile of taxpayers risk

Automated Estimated Assessments

Audit & Compliance Risk Models deployed to detect reporting risk in small and micro taxpayer segments.

From “Table 1”, it can be seen that whilst the Wholesale & Retail Sector contributes the most to GDP, it ranks seventh (7th) as it relates to contribution to tax revenue. On the other hand, Financial Intermediaries makes the fourth largest contribution to GDP, but this sector is the largest contributor to tax revenues. The Manufacturing Sector contributes the next best to tax revenues.

	INDUSTRY	Contribution to GDP (%)	Contribution to Tax Revenue (%)
1.	Financial Intermediation	9	25.1
2.	Manufacturing	8	19.3
3.	Transport & Comm.	7	9.6
4.	Hotel and Restaurant	4	5
5.	Real Estate	10	10.8
6.	Electricity & Water	3	2.4
7.	Wholesale and Retail	16	9.8
8.	Government Services	12	4.3
9.	Construction	6	1.4
10.	Agriculture	6	1.1

Table 1 – GDP & Tax Revenue (Y/A 2016)

Further examinations of the sectors were conducted to determine their level of compliance as it relates to TAJ's core tax types: General Consumption Tax (GCT); Pay AS You Earn (PAYE); Corporation Tax (CIT); and Individual Income Tax (IIT).



Table 2” shows the filing rate of these sectors for these major tax types. From table above, it can be seen that there is significant non-compliance for all sectors around CIT and IIT. As it relates to PAYE, it appears that whereas Companies submit the monthly obligations (S01s), they are omitting to submit the Final Returns (S02s) in March; taxpayers are reminded that they are obligated to submit all twelve (12) months obligations, as well as the Final Return. The compliance level was further broken out by classification and it was observed that the non-compliance level was even more pronounced among the small and micro taxpayers in these sectors.

Guided by the above analysis, filing compliance activities for FY 2018/19 will focus on the Wholesale and Retail trade, Real Estate, Construction and Transport and Communication sectors with a view to improve filing compliance within these sectors.

Taxpayers reporting patterns were also analyzed as it relates to General Consumption Tax and Income Tax. For GCT, the analysis sought to determine the percentage of the taxpayers Total Supplies that was remitted as consumption tax. Whereas the Income Tax analysis sought to determine the taxpayers’ effective tax rates

Industry	Filing Rate			
	<i>GCT</i>	<i>PAYE</i>	<i>CIT</i>	<i>IIT</i>
	%	%	%	%
Agriculture, Hunting and Forestry	84	52	53	28
Manufacturing	86	58	50	32
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	85	48	52	37
Transport, Storage and Communications	84	47	52	32
Financial Intermediation	86	53	51	36
Real Estate, Renting and Business Activities	82	40	53	40

Table 2 – Filing Rate for Y/A 2016

Industry	Net Tax Payable / Total Supplies
Agriculture, Hunting and Forestry	0.9%
Manufacturing	1.3%
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	0.7%
Transport, Storage and Communications	1.4%
Financial Intermediation	5.4%
Real Estate, Renting and Business Activities	1.6%

Table 3 – Net Tax Payable as a proportion of Total Supplies 2016

From the table above, it is observed that the Wholesale and Retail sector has the lowest ratio as it relates to Declared GCT Payable to Total Supplies. This is even lower than taxpayers participating in the Agriculture sector who appear to be involved in mixed activities – they provide both taxable and exempt goods and services. The Financial Sector had the highest ratio of 5.4%.

From the foregoing analysis, it is irresistible to conclude that the greatest reporting risk for GCT falls within the Wholesale and Retail sector. Audit and Taxpayer education programmes will have to be carried out around this sector to mitigate against this risk.

The Effective Tax Rate

The effective tax rate is the average rate at which an individual or corporation is taxed. The effective tax rate for individuals is the average rate at which their earned income is taxed, and the effective tax rate for a corporation is the average rate at which its pre-tax profits are taxed. Below is a table that shows the effective tax rate of the different industries.

Industry	Effective Tax Rate
Agriculture, Hunting and Forestry	20%
Manufacturing	14%
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	16%
Transport, Storage and Communications	10%
Financial Intermediation	17%
Real Estate, Renting and Business Activities	15%

Table 4 - The Income Effective Tax Rate by Industry 2016



Given that the statutory CIT rate for taxpayers in the Communications and Financial sectors is 33 1/3 per cent, it begs the question as to why these taxpayers tax expense is so low. Audit programmes should be developed around these industries to determine if aggressive tax planning strategies are being practiced and whether these strategies infringe on the Income Tax provisions. The manufacturing, wholesale and real Estate sectors ratios might be explained by the advent of the Employment Tax Credit, nevertheless their effective tax rates are also matters for audit investigations.

Results

REGISTRATION

During the Financial Year we have increased in the number of new taxpayers registered.

15,106↑

These new taxpayers include individuals with multiple sources of employment income which were not (properly) taxed at source, thus they ought to have been submitting Individual Income Tax Returns.

New Taxpayer Registrations by Industries

Industry	Percentage
Personal Services	96.2%
Real Estate, Renting & Business Activities	1.4%
Wholesale/Retail & Repairs	1.0%
Personal Services	0.4%
Transport, Storage & Communication	0.2%
Manufacturing	0.2%

ACCURATE REPORTING

TAJ's audit programme is centered around the core tax types – General Consumption Tax (GCT); Corporation Income Tax (CIT); Individual Income Tax (IIT); Pay As You Earn (PAYE); and Special Consumption Tax (SCT).

For FY 2017/18 audits were completed on 7.4% of taxpayers classified in the large classification segment and 5.7% of taxpayers in the medium segment through a mixture of integrated and single audit examinations per the above tax types.

The small and micro taxpayer segments also formed part of the audit programme. Desk audits were carried out as it related to individuals who would have benefitted from the Income Tax Threshold on multiple occasions by virtue of their numerous employment status (Threshold Abuse). Over seven thousand (7,000) individuals were assessed to recover untaxed amounts and attendant collections are in progress.



FILING COMPLIANCE

Filing Rates by Count of Returns

SEG- MENT	TAX TYPE	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	YTD
LARGE	CIT												85.40%	85.4%
	IIT												66.7%	66.7%
	GCT	88.9%	94.5%	91.8%	93.6%	70.5%	91.6%	94.3%	91.8%	91.9%	91.7%	92.3%	91.4%	90.4%
	PAYE	73.9%	73.9%	75.4%	73.8%	63.3%	74.5%	77.3%	75.4%	75.4%	42.3%	75.4%	79.4%	71.7%
	SCT	90.9%	81.8%	81.8%	81.8%	81.8%	90.9%	81.8%	72.7%	81.8%	72.7%	63.6%	81.8%	80.3%
	GART	89.6%	89.6%	89.6%	89.6%	61.2%	89.8%	89.8%	88.0%	88.0%	89.8%	85.7%	94.0%	87.1%
	GCT-W/H													
UPPER MEDIUM	CIT												71.7%	71.7%
	IIT												18.2%	18.2%
	IIT	87.7%	92.1%	92.4%	91.4%	84.8%	92.4%	91.5%	91.1%	89.5%	90.7%	93.2%	89.0%	90.5%
	PAYE	72.7%	72.3%	69.8%	71.9%	65.5%	73.4%	74.8%	72.6%	72.4%	42.3%	74.8%	73.0%	69.6%
	SCT	50.0%	100.0%	100.0%	100.0%	50.0%	100.0%	100.0%	100.0%	100.0%	50.0%	100.0%	100.0%	87.5%
	GART	91.7%	91.7%	91.7%	83.3%	83.3%	91.7%	91.7%	91.7%	91.7%	91.7%	83.3%	86.7%	89.2%
	GCT-W/H													
LOWER MEDIUM	CIT												67.0%	67.0%
	IIT												9.5%	9.5%
	GCT	80.0%	84.7%	84.9%	85.0%	82.5%	83.5%	72.5%	82.3%	83.9%	82.7%	85.3%	81.3%	82.4%
	PAYE	66.8%	68.0%	68.5%	67.1%	58.4%	66.7%	69.9%	66.5%	65.5%	38.8%	66.4%	69.2%	64.3%
	SCT	75.0%	100.0%	100.0%	100.0%	75.0%	100.0%	100.0%	100.0%	66.7%	75.0%	100.0%	100.0%	91.0%
	GART	73.2%	70.7%	80.0%	83.3%	55.0%	75.0%	72.5%	67.5%	80.0%	76.9%	78.9%	85.1%	74.7%
	GCT-W/H													
SMALL	CIT												60.5%	60.5%
	IIT												59.4%	59.4%
	GCT	69.3%	76.7%	75.8%	76.6%	76.0%	75.2%	77.7%	74.6%	74.4%	75.3%	76.8%	74.0%	75.2%
	PAYE	58.5%	58.2%	57.8%	58.3%	53.3%	58.4%	61.1%	58.4%	58.9%	36.3%	58.8%	60.5%	56.5%
	SCT	66.7%	100.0%	100.0%	100.0%	83.3%	100.0%	100.0%	83.3%	100.0%	100.0%	83.3%	100.0%	93.1%
	GART	66.2%	70.0%	67.9%	67.5%	64.1%	66.5%	71.0%	66.7%	70.5%	68.1%	69.4%	72.5%	68.4%
	GCT-W/H	64.7%	60.8%											

MICRO	CIT												44.2%	44.2%
	IIT												37.1%	37.1%
	GCT	48.6%	55.8%	55.4%	56.2%	57.6%	56.2%	58.1%	55.2%	55.3%	56.8%	56.5%	40.4%	54.3%
	PAYE	28.4%	27.1%	27.0%	27.6%	25.0%	27.7%	29.5%	28.3%	28.7%	19.6%	27.6%	29.0%	27.1%
	SCT	66.7%	42.9%	57.1%	57.1%	42.9%	42.9%	57.1%	57.1%	57.1%	57.1%	57.1%	100.0%	57.9%
	GART	60.2%	62.8%	63.4%	63.2%	63.3%	66.4%	60.5%	59.5%	64.9%	67.6%	66.1%	64.8%	63.5%
	GCT-W/H													

PAYMENTS

For FY 2017/18, Tax Administration Jamaica's (TAJ) collected \$306.9B which was \$22.6 or 7.9% above projections of \$284.3B. This is the third successive year that TAJ has surpassed its annual net collections revenue target.

	FY 2017/18				FY 2016/17	CHANGE FY 2017/18 vs FY 2016/17	
	<i>Actual</i>	<i>Projected</i>	<i>Difference - Actual vs Projected</i>		<i>Actual</i>		
Domestic Revenue (\$m)							
Qtr. 1	73,612.0	67,286.3	6,325.7	9.4%	67,645.4	5,966.6	8.8%
Qtr. 2	70,159.4	64,743.6	5,415.8	8.4%	63,100.4	7,059.0	11.2%
Qtr. 3	63,929.3	63,701.6	227.7	0.4%	60,920.1	3,009.3	4.9%
Qtr. 4	99,185.1	88,574.4	10,610.7	12.0%	92,528.8	6,656.3	7.2%
FY	306,885.8	284,305.9	22,579.9	7.9%	284,194.7	22,691.2	8.0%
Refunds Paid (\$m)							
Qtr. 1	3,904.4	4,500.0	(595.6)	-13.2%	4,809.7	(905.3)	-18.8%
Qtr. 2	5,134.3	4,500.0	634.3	14.1%	3,861.9	1,272.4	32.9%
Qtr. 3	6,504.3	4,500.0	2,004.3	44.5%	2,971.6	3,532.7	118.9%
Qtr. 4	2,942.4	4,500.0	(1,557.6)	-34.6%	5,347.5	(2,405.2)	-45.0%
FY	18,485.4	18,000.0	485.4	2.7%	16,990.7	1,494.7	8.8%
Property Tax (\$m)							
Qtr. 1	3,716.5	4,267.0	(550.5)	-12.9%	3,305.0	411.5	12.5%
Qtr. 2	1,520.8	2,133.5	(612.7)	-28.7%	1,183.6	337.2	28.5%
Qtr. 3	1,133.9	1,557.9	(424.0)	-27.2%	970.1	163.8	16.9%
Qtr. 4	2,079.9	1,964.8	115.1	5.9%	2,151.8	(71.9)	-3.3%
FY	8,451.0	9,923.2	(1,472.1)	-14.8%	7,610.5	840.6	11.0%

Table 6: Overview of Domestic Revenue Performance

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

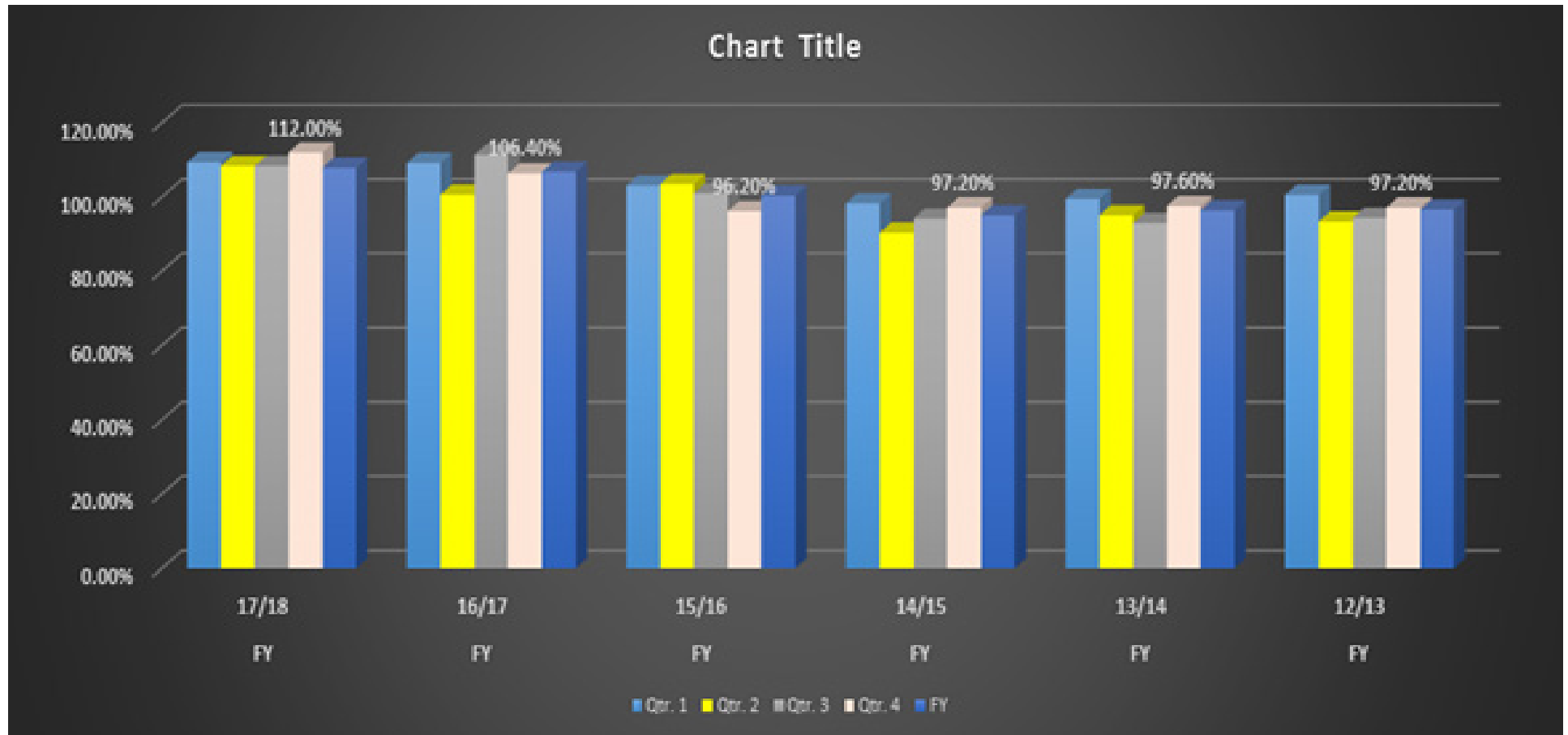
	Collections	Projections	Variance	% of projections
Tax Revenue	53,213.4	46,449.5	6,763.9	114.6%
Income and profits	37,764.4	31,408.3	6,356.1	120.2%
Other companies	27,918.2	25,306.8	2,611.4	110.3%
PAYE	5,357.6	3,944.7	1,412.9	135.8%
Tax on dividend	298.6	133.8	164.8	223.2%
Other individuals	2,608.0	2,293.9	314.1	113.7%
Tax on interest	1,582.0	(270.9)	1,852.9	-584.0%
Production and consumption	15,449.0	15,041.2	407.8	102.7%
Minimum business tax	61.3	42.6	18.7	143.8%
SCT	2,295.3	1,963.1	332.2	116.9%
Environmental Levy	0.2	32.0	(31.8)	0.7%
Motor vehicle licences	379.0	342.9	36.1	110.5%
Other licences	57.5	887.8	(830.3)	6.5%
Quarry tax	1.4	20.9	(19.5)	6.9%
Betting, gaming and lottery	313.4	250.7	62.7	125.0%
Accommodation tax	192.9	208.6	(15.7)	92.5%
Education tax	2,486.8	2,266.2	220.6	109.7%
Tele/Call termination tax	262.9	321.3	(58.4)	81.8%
Contractors levy	184.6	116.0	68.6	159.2%
GCT (local)	8,130.2	7,464.2	666.0	108.9%
Stamp duty (local)	1,070.3	1,124.9	(54.6)	95.1%
Import licence	13.1	-	13.1	-

Table 7: Net Collections vs Net Targets - \$M

Sources: TAJ – Revenue Accounts, MoFPS

	FY17/18	FY16/17	FY15/16	FY14/15	FY13/14	FY12/13
Qtr. 1	109.4%	109.2%	103.1%	98.3%	99.5%	100.6%
Qtr. 2	108.4%	100.7%	103.5%	90.4%	95.1%	93.4%
Qtr. 3	108.4%	111.4%	101.1%	94.2%	93.0%	94.4%
Qtr. 4	112.0%	106.4%	96.2%	97.2%	97.6%	97.2%
FY	107.9%	106.8%	100.4%	95.1%	96.4%	96.6%

Table 8: Performance against Projections last six years



PLANNED ACTIVITIES

Working together to
serve you **EVEN** better

1. Taxpayer Services & Education

Jamaica's tax laws revolves around a system of self-assessment and at the crux of this is voluntary compliance. Citizens' willingness to comply with tax related obligations depends on a variety of variables. Traditionally, the emphasis is placed on external variables such as the tax rate, the income of taxpayers, the probability of an audit and the severity of fines, penalties and interests. However, a new school of thought led by psychological research demonstrates appreciation for internal variables such as citizen's knowledge of tax laws, attitudes and behaviours toward taxation as well as perceived social norms and fairness. These recent research encourages motivational tendencies and other strategic interventions such as ways of making it easier for taxpayers to comply. These are the principles guiding TAJ's taxpayer service and education activities for FY 2018/19 as the Administration seeks to foster greater voluntary compliance.



1.1. E-services

A recent tax compliance research conducted by one of the top international auditing firms, has shown that international companies have reduced the time to prepare and file returns by an average of eighty-one (81) hours between 2004 and 2016 owing to the availability of electronic services by their respective tax administrations. In keeping with the international trend of infusing cutting-edge technology in tax administration, TAJ has made significant investment in its Online Tax Portal to allow customers access to various services via the Internet.

1.2 Mandatory E-Filing

Tax Administration Jamaica (TAJ) embarked on a mission to ensure that taxpayers file their various tax returns electronically in 2014. This thrust is being pursued because of the various benefits that can be derived from electronic filing inclusive of enhancing the administration's capacity to capture data in a timely manner, more accurate and complete reporting by taxpayers and developing a more customer oriented and efficient tax system.

E-filing represents a win for both the taxpayers as well as TAJ for the following reasons:

- It is more cost effective;
- It facilitates easier compliance;
- It reduces calculation errors in returns, thus returns are more accurately completed;
- It facilitates greater data capturing;
- Returns can be submitted irrespective of where the taxpayer is physically situated;
- It creates a more predictable tax environment as all the information that taxpayers need can be made available online; and
- It lightens the workload and reduces operational costs – such as the costs of processing, storing and handling tax returns.

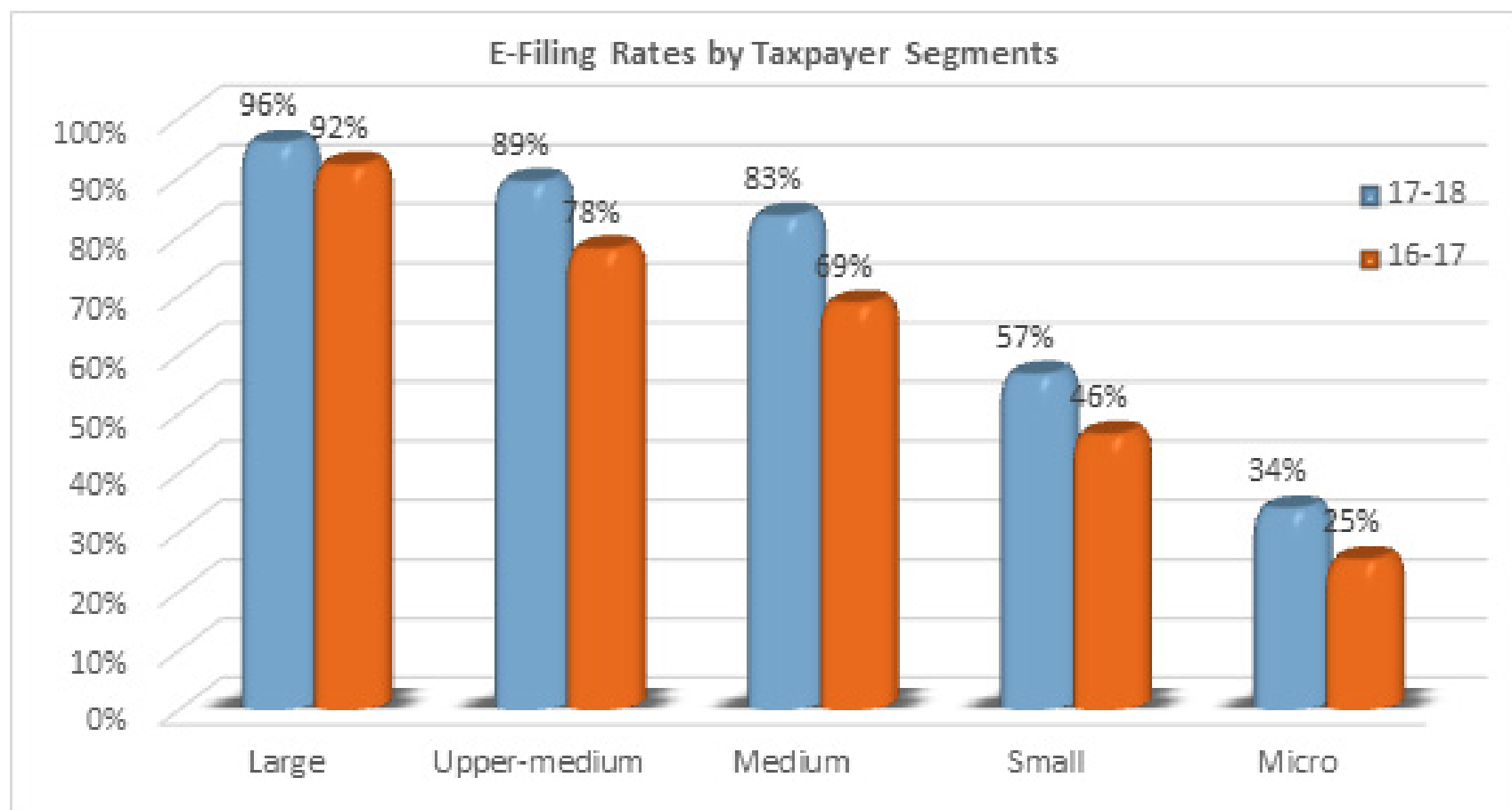
Currently, the following groups of taxpayers have already been mandated to submit returns electronically:

- All Large Taxpayers
- All employers filing Employers Annual Return (SO2)
- All Medium Taxpayers filing GCT Monthly Return

However, it has been observed that there is already a high uptick in the number of taxpayers submitting returns via e-filing, even outside of the taxpayers mandated to so.

e-Filing Rates by Tax Type

	FY 17-18	FY 16-17
PAYE	100%	100%
GCT	48%	37%
SCT	69%	61%
CIT	60%	33%
IIT	23%	14%
GART	43%	34%





Effective April 01, 2018 TAJ will implement another phase of its mandatory e-filing programme. All taxpayers filing Special Consumption Tax (SCT) and General Consumption Tax (GCT) Returns will be required to do so electronically. Further, all taxpayers submitting Company Income Tax (CIT) and Asset Tax (AT) Returns will be expected to comply electronically by the end of the Financial Year. Once the mandatory dates become effective, inline submissions of the respective returns will no longer be facilitated at the cashiers. Taxpayers without available online facilities will be assisted through the filing centres and/or internet kiosks at the various tax offices.

1.3 On-time Filing

Not only are taxpayers expected to submit returns, but they are expected to do so by the stipulated due dates. Taxpayers' GCT filing compliance behaviour have been analyzed to identify taxpayers who are chronic late filers; it was found that there are taxpayers who submit up to six (6) or more GCT Returns late per calendar year. These taxpayers will be engaged under a special taxpayer assistance programme (STAP) to determine what are the issues that are causing the late submission and to offer any necessary taxpayer education or service that will result in future on-time compliance. Taxpayers are also reminded of the negative consequences of submitting returns late, such as possible Estimated Assessments, interest and penalties.

TAJ also seeks to promote on-time filing of Income Tax Returns through the Special Taxpayer Assistance Programme (STAP) which is its flagship programme, for responding to the unique needs of

the Small and Micro taxpayer segments. This programme is carried out annually with emphasis on the fourth quarter of the financial year in preparation for the March 15th Income Tax Due Date. Each year promotional support comes from a publicity campaign out of the Communications Unit using several strategies and/or media to publicize the event; namely, Press Releases; radio, television and newspaper advertisements; website and social media to generate interest and ensure taxpayers are made aware of the service being provided. Flyers, Town Criers, and Cable Television are also used within the Revenue Service Centres localities to ensure taxpayers are aware of the places and times of planned sessions. Media interviews by key personnel within TAJ are also done to help generate interest and promote the Programme during that time.

1.4 Taxpayer Surveys

TAJ, as an organization, continues to embrace the use of research based information to guide its operations. It is readily recognized that it is important to constantly measure and monitor performance and to track trends and changes so as to ultimately realize improvements or weaknesses in the customer service experience. Consequently, various survey instruments will be administered, both internally and by external parties, in the financial year to solicit taxpayers' views on diverse issues pertaining to domestic tax administration. Special mention must be made of an instrument which will seek to ascertain customer awareness as it relates to the various service delivery channels offered by TAJ, especially as it relates to e-services. Additionally, data gathered from the different surveys administered will be used to update TAJ's Citizens Charter.

2. Registration

2.1. At the crux of any effective tax administration is an accurate and reliable taxpayer database. 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.

2.2. The Administration 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 and hence maintenance of the taxpayer database is critical to ensuring data integrity. To this end, the updating of taxpayers data is an activity on which high importance is placed.

2.3. 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/activities, financial projections and can undermine actual results obtained.

2.4. Registration

TAJ continues its thrust to widen the tax net through knowledge and compliance interventions. Businesses and individuals are continuously being identified as "potential new taxpayers", using data obtained from Third Party sources as well as those on whose behalf taxes were withheld per the Withholding Tax on Specified Services Certificates. These potential taxpayers will be invited to voluntarily submit Income Tax Returns and/or register for General Consumption Tax if they meet the requisite criteria. Where the requested

compliance is not forthcoming, compliance enforcement activities will be pursued. Additionally, efforts will be made to ensure that registered taxpayers are registered for all relevant tax types for which they have obligations.

2.5 Deregistration

The integrity of the taxpayers' database will be further improved by removing/de-registering those taxpayers who have ceased trading as well as those whose economic activities have fallen below the stipulated threshold for General Consumption Tax (GCT).

2.6 Permitted Accounting Period

Special emphasis will be placed on the updating of taxpayers' Permitted Accounting Periods. Analysis of TAJ's records has revealed that taxpayers are using accounting year ends outside of the 31st day of December stipulated under the Income Tax Act (ITA) without the requisite approval from the Commissioner General as stated under the Act. Taxpayers are being reminded that in the event they desire to use an accounting year end other than the 31st day of December, then a request for approval to change their accounting period must be submitted to the Commissioner General, TAJ in writing, in accordance with the provisions laid out under section 6 of the ITA.



3. Filing Compliance

TAJ's compliance approach is also segmented in the manner in which registered taxpayers who fail to submit the relevant returns are treated with.

3.1 As it relates to Income Tax, Failure to File Notices are issued within five business days after the compliance due date for Company Income Tax and Individual Income Tax Returns. If the Returns remain outstanding thirty (30) days after said date, then Automated Estimated Assessments will be generated for taxpayers in the "small and micro" classification segments. For taxpayers in the "medium and large" classification segments a second Notice will be issued and continued non-compliance will result in the taxpayers being served with summonses to attend court.

3.2 For General Consumption Tax (GCT), Failure to File Notices are issued within five (5) business days after the compliance due date and where there is continued non-compliance Automated Estimated Assessments will be generated for all non-compliant taxpayers, irrespective of their classification.

3.3 Estimated Assessments are final and conclusive after thirty (30) days if a valid Notice of Objection is not submitted within this time, thus amounts assessed will be subjected to enforceable collections.



4. Reporting Compliance

All tax administrations that operate a voluntary compliance system must have a robust audit and assessment programme to ensure that taxpayers make true and correct returns of their tax liabilities. This is necessary to maintain community confidence and ensure revenue collections.

4.1. TAJ strives to achieve a balanced audit programme, that is to say, one that balances “audit coverage”, “audit quality” and “overall deterrent” considerations. The 2018-19 programme comprises a mix of audit tools ranging from simple desk audits to in-depth field audits. These include integrated audits (multiple tax types) as well as single tax type cases. The audit coverage is designed to impact all segments of the taxpayer population, from large multinational corporations (MNCs) to small and micro enterprises (SMEs). The Programme encompasses all major tax types administered by TAJ – CIT; IIT; GCT; and PAYE.

4.2. During FY 2018-19 increased scrutiny will be placed on those sectors and segments of the taxpayer population that display the most significant risk to the revenue. Due to the impact that large and medium taxpayers have on revenue collection, efforts will be made to increase the audit coverage in these segments. The desired coverage for large taxpayers is 10% and medium taxpayers 6% of the respective taxpayer populations.

4.3. Taxpayers Submitting Apparent Inaccurate Returns
Analyses of taxpayers’ compliance data have identified a number of taxpayers whose CIT and GCT declarations are inconsistent with the particular industry within which they operate. That is to say, whereas other companies within the same industries submit returns with positive figures, these companies submit returns with questionable tax losses (CIT) or tax credits (GCT) for the filing period. Consequent to the foregoing, the audit programme will be executed

as follows.

- Selected taxpayers in the large and medium classification segments will be audited to determine whether the tax practices they have adopted are consistent with the Income Tax Act, or are there issues of tax consequences evident, arising from overly aggressive tax planning strategies.
- There will also be an audit programme specifically examining taxpayers with large accumulated tax losses and GCT tax credits.
- As it relates to taxpayers in the small and micro taxpayer segments, TAJ will continue to rely on the Audit Risk Models (classify large batches of returns for audits) as well as third party data to identify taxpayers for CIT, IIT and GCT audits; as well as to determine appropriate assessments to be made.

4.4 *Employment Tax Credit (ETC)*

The Fiscal Incentives (Miscellaneous Provision) Act, 2013 brought about several changes to the manner in which Corporate and Individual Income Tax are administered, effective January 1, 2014. Among these changes was the introduction of the Employment Tax Credit (ETC), a tax incentive scheme.

Bodies corporate (excluding regulated companies), self-employed individuals & partnerships but will be entitled to a non-refundable employment tax credit (ETC) in computing their income tax liability. The ETC is the total of the statutory payroll levies (Education Tax, NHT/NIS and HEART contributions). Inter alia, the statute provided as follows.

- The Tax credit is capped at 30% of the income tax payable on profits from business operations.
- ETC may not be claimed against any income tax chargeable on non-trading income (e.g. passive investment income).

- The legislation makes separate mention of tax on income from the rental of a hotel or resort cottage that is licensed as tourism accommodation under the Tourist Board Act as being tax against which the credit may be applied.
- The monthly statutory returns reporting the statutory payments must have been filed on or before the due dates (i.e. by the 14th of the month following that to which they relate).
- The payments must have been made by the due dates.

Analyses of taxpayers Income Tax Returns for Years of Assessment 2014 – 2016 have revealed that a number of taxpayers have been claiming the credits in contravention of the statutory provision. Consequently, an audit programme will be carried out to recover credits incorrectly claimed. The audits will be accompanied by island wide taxpayer education seminars to assist taxpayers to properly understand what is allowable and how allowable (tax credit) amounts ought to be computed.

4.3 Pay As You Earn (PAYE)

Analyses of the Annual Returns submitted for Year of Assessment 2016 revealed the following issues.

- Employers deducting PAYE tax from employees who are below the annual threshold figures.
- Employers are not completing the Annual Return (S02) properly, that is to say information is being placed in incorrect columns.
- Employers incorrectly computing Returns.
- Employers allowing threshold amounts before deducting/ withholding taxes from persons who are employed on a part-time basis.

These issues will also be addressed through a combination of taxpayer education and audits. Employers whose Annual Returns were incorrectly data filled will be treated to taxpayer education and assistance; whereas those whose returns were inaccurately computed

will be selected for audits.

Employers are reminded that where persons are employed on a part time basis PAYE tax is to be deducted without any allowance for the Income Tax Threshold. In the event the employee is overtaxed he may seek the relevant refund from the Authority. TAJ will continue preparing Estimated Assessments for individuals who benefited from the tax free threshold on multiple occasions in the year.

4.4 Objections Handling

TAJ has made strenuous efforts to improve the tax dispute resolution process. This is of critical importance as it encourages trust in the tax system and promotes a better relationship between tax administration and the various stakeholders. In April 2017, steps were implemented to secure the independence of officers handling objection matters from those with responsibilities for executing audits. An independent “Objections Unit” was established with separate reporting functions and control to those which are observed by auditors carrying out audits. This was done with a view to promote a fair and impartial review process. The thrust will be further strengthened in FY 2018/19.

It is contemplated that decisions delivered will be unbiased and of a high quality. Taxpayers will be satisfied in the findings and there will not be any legal or procedural basis to advance to either Revenue Appeals or the Revenue Court, hence taxes assessed becomes collectible earlier.

Another objective will be to significantly reduce the number of cases languishing in the inventory by resolving contentious matters more speedily; thus reducing the time taxpayers have to wait to have their issues resolved. However, this is a shared responsibility, as taxpayers too have an obligation to present the books and records requested to substantiate their objections within a timely manner.

5. Payment Compliance

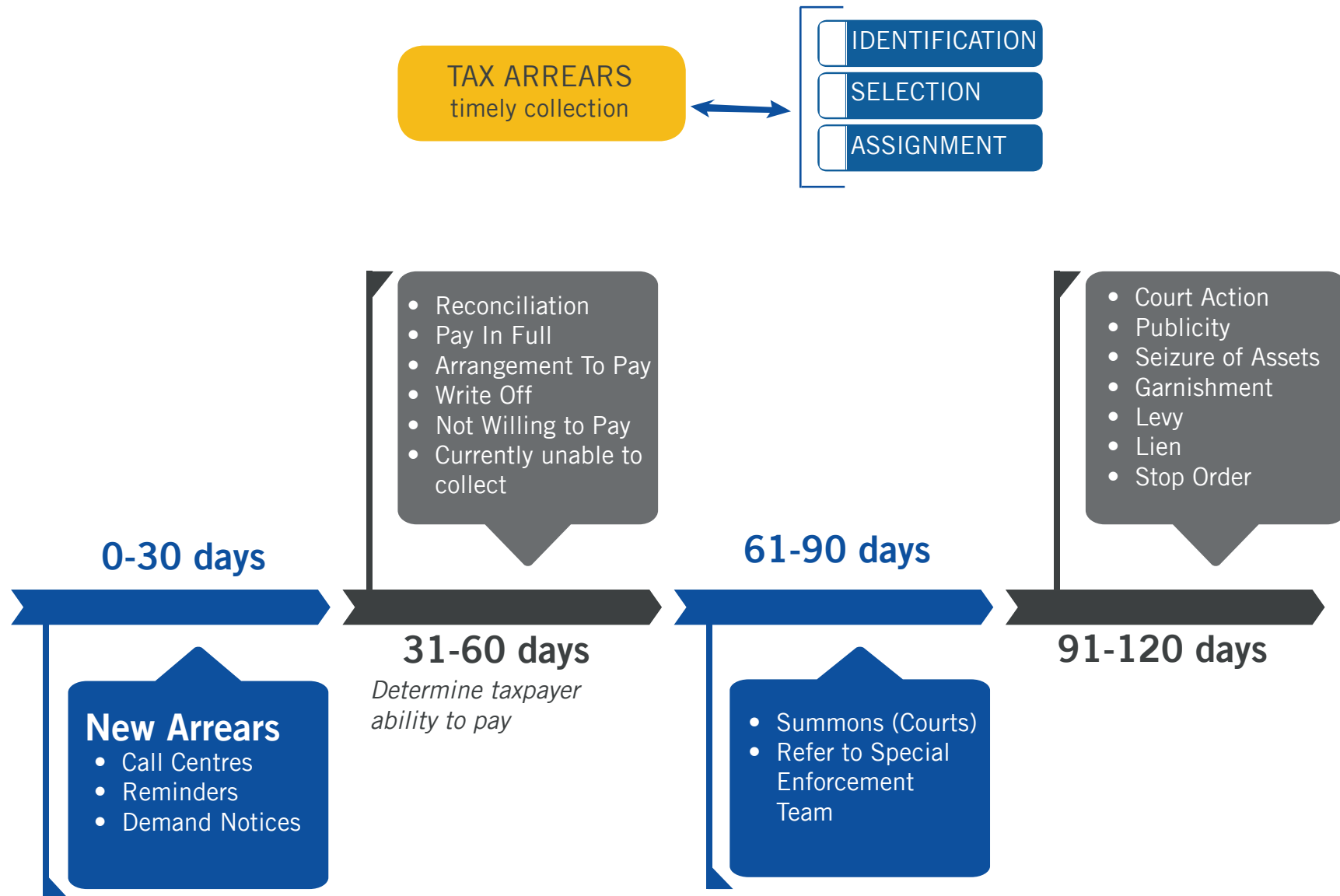
TAJ will undertake the following Arrears Reduction Management Strategies for FY 2018/19 to pursue taxpayers with the ability to pay, to settle their tax obligations.

- Focus on sectors and segments with the greatest arrears and taxpayers in those sectors and segments who are likely pay the greatest arrears in the shortest period.
- Prioritize arrears cases to determine which taxpayers will pay liabilities in full or part thereof in a timely manner.
- Increasing timely reconciliation of taxpayers accounts in order to have superfluous balances removed from the arrears inventory.
- Carry out deregistration of taxpayers struck from Company Office of Jamaica “roll”, or who other information suggest are no longer trading, in a timely manner.
- Compliance officers to encourage taxpayers to pay in full or enter into payment arrangements (and honour those arrangements) in order to reduce liabilities.
- Increasing civil and criminal prosecutions for those taxpayers with the greatest liabilities.
- Increasing the usage of garnishment and lien provisions.



Tax Administration Jamaica

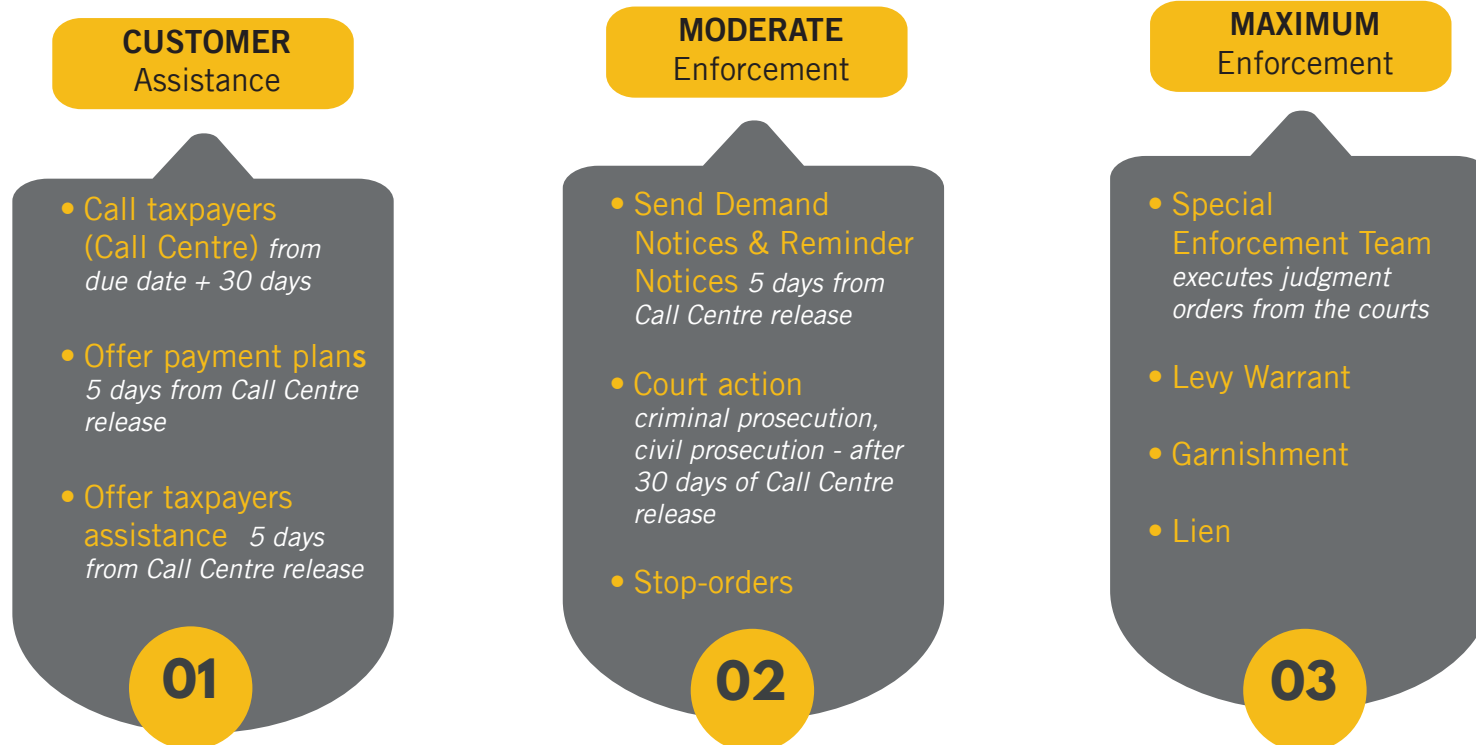
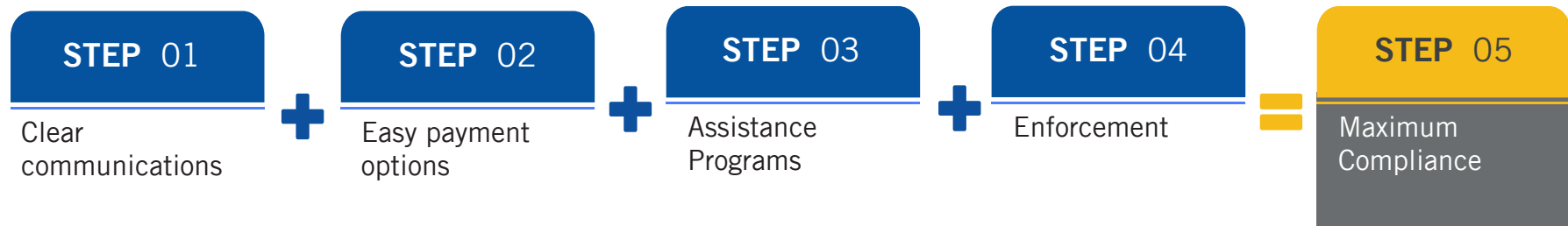
Compliance Timeline



FY 2018/2019 Payment Compliance Activities

Collection Efforts - Collection Toolkit

The Department uses a variety of techniques to generate voluntary and involuntary payment of past due bills



6. High Wealth Individuals

High wealth individuals are defined as individuals with an estimated net worth of at least Thirty Million Dollars (J\$30,000,000.00). These individuals present substantial and increasing compliance risks, stemming from the complexity of their financial affairs, compounded by their significance in terms of potential revenue, and their tendency to use aggressive tax planning to minimize effective tax rates. As it relates to these taxpayers, the issues of tax consequences are that:

- the higher an individual's income is, the greater the occurrence that he may fail to declare the full amount of his earnings – whether by accident or purposefully; and
- the higher the amount TAJ may potentially collect from him if an audit determines that the individual's return was incorrect.

Failure to address compliance risks in this group is small but often a highly visible group of taxpayers can lead to erosion of trust in the fairness of the tax administration, which will tend to reduce compliance in the wider taxpayer population. A holistic approach will be employed in assessing the compliance of these taxpayers, rather than just examining their Individual Income Tax Returns (SO4s). Focus will be paid to the totality of these individuals' financial, investment and business arrangements, to include the network of enterprises and entities they control. Various methods will be used in monitoring these individuals' tax compliance.

- Establishing linkages with these individuals' tax agents, attorneys and other professional intermediaries to present taxpayer service and education that will ensure in voluntary compliance.

- Identifying individuals who acquire high value assets such as motor vehicles or real property and comparing their asset accretion or net worth with their Income Tax Returns.
- Selecting the top 2000 individuals with the highest annual residential utility bills and determine if they submit Individual Income Tax Returns or appear on any Employers' Final Return (SO2) as employed persons.
- Pursuing company directors and other principal members receiving untaxed emoluments or distributions from their companies.
- Pursuing individuals with substantial financial holdings in banks and other institutions.
- Pursuing individuals carrying out financial transactions where the consideration exceeds ten million dollars.
- Pursuing individuals who conduct commercial transactions with large volume of cash.
- Resorting to powers provided under the various International Tax Treaties and Conventions to gather information from other jurisdictions within which these individuals may have substantial assets, investments or earnings.

Individuals determined to be in possession of taxable income who have not submitted the relevant Income Tax Return will be required to do so; failing which Estimated Assessments, inclusive of penalties, will be computed. Additionally, they may be prosecuted for failure to comply with the Notice requiring compliance. Where returns submitted are deemed to be inaccurate, the taxpayers and/or their intermediaries will be invited have dialogue with the Department, so that the taxpayers' correct liability can be amicably agreed.

7. Base Erosion & Profit Sharing (BEPS)

Whilst every state has the right to design its tax system in the way it considers most appropriate, TAJ recognizes that the world is a global village and thus domestic policies, including tax policy, cannot be designed in isolation. Consequently, the Department accepts its responsibility to ensure that the resulting tax system reflects an international coherence to corporate income taxation. Thus, having successfully pursued the enactment of Transfer Pricing legislation in 2015 TAJ has now turned its attention to the issue of Base

Erosion Profit Shifting (BEPS). BEPS relates chiefly to instances where the interaction of different tax rules leads to double non-taxation or less than single taxation. It also relates to arrangements that achieve no or low taxation by shifting profits away from the jurisdictions where the activities creating those profits take place. The issue of tax consequence is that, due to gaps in the interaction of different tax systems, and in some cases because of the application of bilateral tax treaties, income from cross-border activities may go untaxed anywhere, or be only unduly lowly taxed.

Economic Co-operation and Development (OECD)

To combat the above threat of loss of revenue the Organization for Economic Co-operation and Development (OECD) was tasked, by the G20 finance ministers, with the responsibility to develop counteractive measures that should provide countries with domestic and international instruments that will better align rights to tax with economic activity. It was readily recognized that there is a need to complement existing standards that are designed to prevent double taxation with instruments that prevent double non-taxation in areas previously not covered by international stand-

ards; and that address cases of no or low taxation associated with practices that artificially segregate taxable income from the activities that generate it. Moreover, governments must continue to work together to tackle harmful tax practices and aggressive tax planning. These measures called for fundamental changes to current mechanisms and the adoption of new consensus-based approaches, including anti-abuse provisions, designed to prevent and counter base erosion and profit shifting.

The OECD developed fifteen (15) Actions to equip governments with domestic and international instruments to address tax avoidance in an effort to ensure that profits are taxed where economic activities generating the profits are performed and where value is created. Among these is Action 15 which involves the execution of a Multilateral Instrument (MLI) to transpose BEPS solutions into existing bilateral tax treaties. Signatories to the MLI agree to amend the application of their bilateral tax treaties in accordance with the provisions of the MLI. Currently seventy-eight (78) jurisdictions have signed this Convention.

On 24 January 2018, Jamaica signed the OECD BEPS Multilateral Convention. Upon signature, Tax Administration Jamaica (TAJ) also filed Jamaica's list of notifications and reservations in relation to the MLI. The next step will be for Jamaica to ratify this multilateral treaty and lodge instruments of ratification with the OECD. This is anticipated to take place by the third quarter of 2018. The Convention will enter into force three months after at least five (5) jurisdictions deposit their instrument of ratification.

The MLI inserts a number of measures into bilateral tax treaties covered by it in an effort to target various BEPS strategies used by taxpayers and restrict the application of treaty benefits or protection in such circumstances. Therefore, there is the likelihood that businesses which engage in cross-border transactions with overseas entities or earn income outside of Jamaica in respect of which they rely on tax treaty protection, may be impacted by the restriction or removal of treaty benefits they currently enjoy, by virtue of modifications to Jamaica's tax treaty network to be made by the MLI, once implemented.

At present Jamaica has bi-lateral treaties in force between the following jurisdictions.

Canada	Spain	CARICOM STATES:
China,	Switzerland	Antigua
Denmark	United Kingdom	Barbados
France	United States	Belize
Germany	Italy	Dominica
Israel	Mexico	Grenada
Norway		Guyana
		Saint Kitts & Nevis
		Saint Lucia
		St. Vincent & the
		Grenadines Trinidad &
		Tobago

8. Special Economic Zone (SEZ)

The Special Economic Zone Act (SEZA) was enacted on February 15, 2016, and came into force on August 1, 2016. The establishment of the SEZ is part of the wider Global Logistics Hub Initiative (GLHI), whose objective is to build a competitive business environment and support growth-inducing economic activities that will stimulate sustainable economic growth and development. The new SEZ Act replaces the Export Free Zones, by repealing the Jamaica Export Free Zone Act (JEFZA), and also ensures conformance under the World Trade Organization (WTO) rules on export subsidies and countervailing measures for middle-income countries such as Jamaica.

The Act provides for the establishment of a Jamaica Special Economic Zone Authority (JSEZA), the designation, promotion, development, operation and management of special economic zones (SEZs) and the granting of tax incentives and other benefits. Under the Act, the category of persons who may utilize the SEZ consists of developers, occupants and zone users.

- Zone Developer means a company limited by shares that is incorporated under the Companies Act and established by a “sponsor” for the purposes of entering into a Master Concession or Licence Agreement with JSEZA, valid for up to 50 years..
- Zone Occupant means a person, other than a Zone Developer or Zone User, who conducts business in the SEZ under a Sub-concession Agreement made by that person with the Zone Developer, being a sub-concession that is in accordance with a Master Concession or Licence Agreement held by the Zone Developer.

- Zone Operator(s) includes both Zone Developers and Zone Occupants.
- Zone User means a person, other than a Zone Operator, who performs activities or services in the SEZ on the basis of an authorization from JSEZA.

Whereas the previous free zone regime stipulated a list of approved activities such as manufacturing, processing, packing and assembling items for export and entities were only allowed to supply up to 15% of production to the domestic markets, there are no similar restrictions under the Act. SEZs are allowed to interact fully with the rest of the Jamaican economy. Entities within the SEZ are able to freely sell goods and services on the local market and export goods to businesses outside of the SEZ.

However, there are a number of activities which are prohibited from being operated in the Zone.

- Tourism services;
- Financial services regulated by the Bank of Jamaica or the Financial Services Commission;
- Construction services – except where such services form a part of a manufacturing process within the SEZ;
- Health services, excluding research and development;
- Retail trade;
- Telecommunication services;
- Public utilities;
- Real estate;
- Catering services; and
- Extractive industries such as mining, quarrying or drilling.

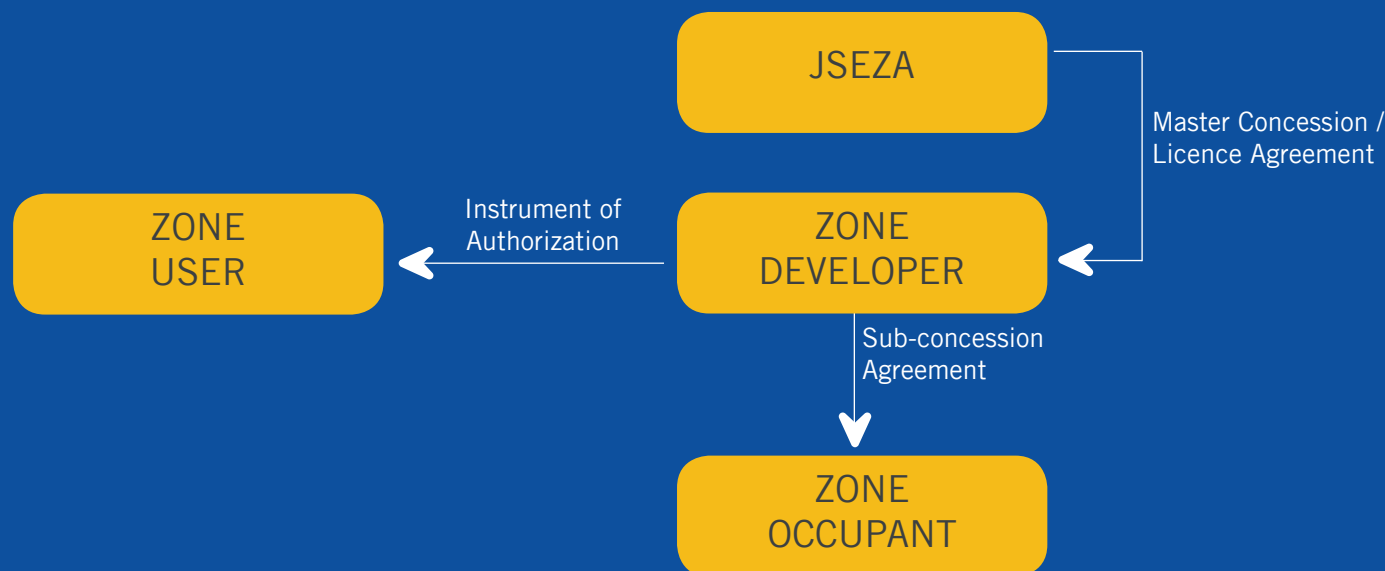
A number of tax benefits and incentives are also provided under the Act.

- Entities which operate within the SEZs will benefit from a 12.5% reduction in Corporate Income Tax rate.
- There is no GCT on electricity or telephone services provided to these entities.
- 50% Stamp duty on the purchase, lease or other acquisition of land used by a developer of an SEZ.
- Developers and occupants will receive a tax credit for expenditure on research and training up to a maximum of 10% of income tax payable and pay no income tax on profits derived from rentals within the zone.

The tax benefits and incentives are extended to the Authority, as well as, developers and occupants of the SEZs.

Any existing Jamaican business considering moving to an SEZ in order to benefit from these incentives are advised that this will not be permitted for another 10 years. Existing free zone promoters and approved enterprises will keep their fiscal incentives until December 2019, or earlier date on which they become entitled to benefits under the SEZ Act. Entities already operating as “approved enterprises” under the Jamaica Export Free-Zone Act are offered a four-year grandfathering period to migrate to the SEZ regime from the Free Zone regime (which has been repealed by Jamaica due to its WTO obligations).

The Structure and Relationship of Zone Members to the Authority



Developer & Occupants (Operators)

Tax Obligations of Entities under the SEZ ActFY 17-18FY 16-17		
	Developer	Occupant
Corporate Income Tax (CIT)		
12.5% CIT Rate on profits derived from approved SEZ activities	✓	✓
Preferential Capital Allowances	✓	✓
Employment Tax Credit (ETC) (up to cap of 30% of tax payable)	✓	✓
Not subject to ETC claw-back provisions	✗	✓
Promotional (R&D) Tax Credit (up to cap of 10% of tax payable)	✓	✓
Exempt from income tax on profits derived from rental of property within Zone to unconnected parties	✓	✓
Income Tax on Dividends		
Dividend income on shares held by approved developer/occupant	✓	✓
Dividends paid to a non-resident out of profits from approved SEZ activities –withholding tax @ 0%	✓	✓
General Consumption Tax		
Zero-rating of imports/supplies from customs territory into SEZ	✓	✓
Transfer Tax & Stamp Duty		
50% relief of stamp duty on purchase/lease of land for use in SEZ	✓	✗
Exemption on lease of land by developer to occupant	✓	✓
Sale of land by developer for use in development/operation of SEZ	✓	✗
Asset Tax		
Exemption from asset tax	✗	✓

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