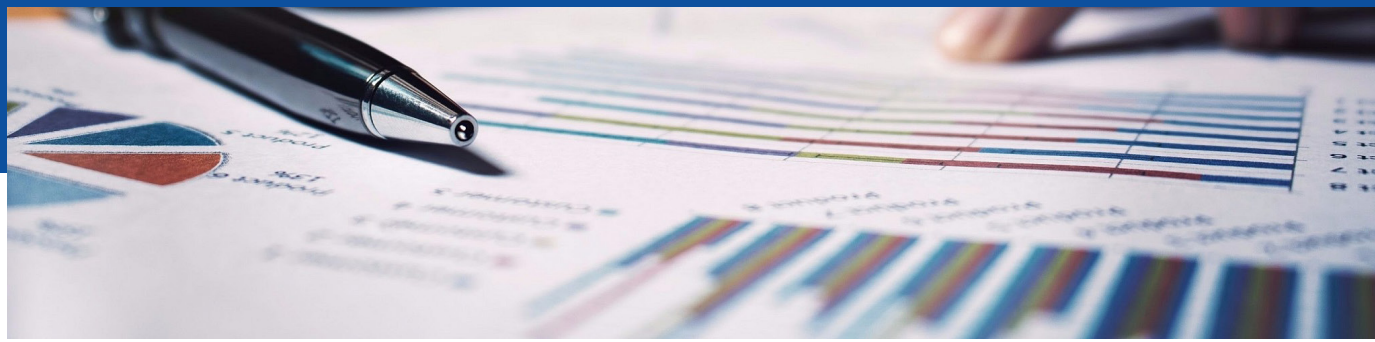
2019 National Compliance Plan

Financial year 2019/2020



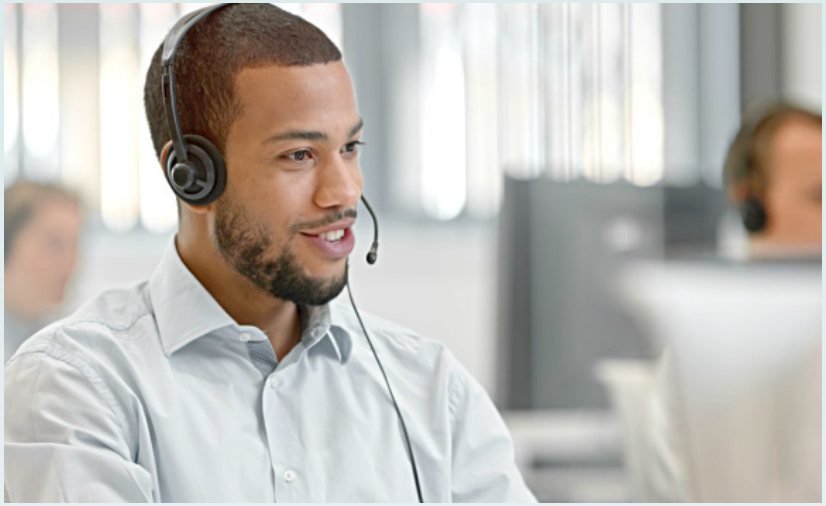
Becoming Tax Compliant

Tax Administration Jamaica

Working together to serve you EVEN better

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

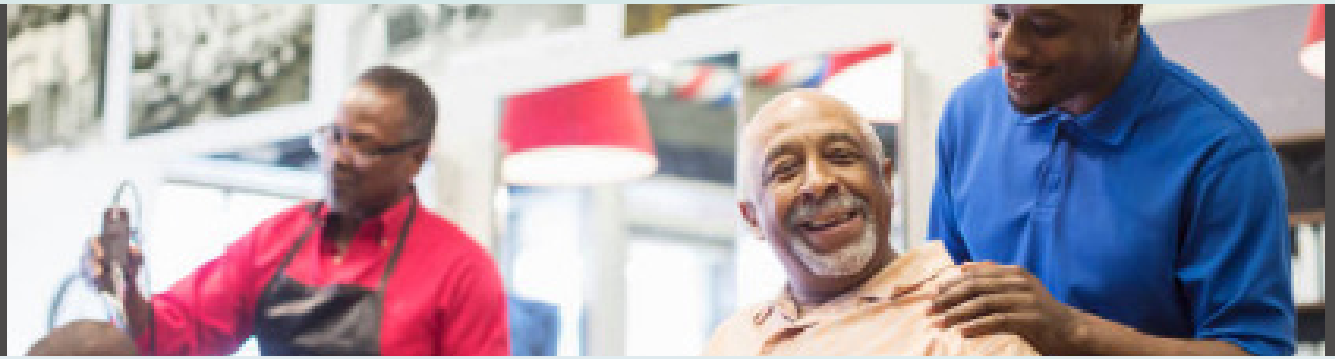
compliant taxpayer



voluntary compliance

taxpayers continue to benefit from the ease of online services

Glossary



▼TERMS YOU SHOULD KNOW

CIT	Company Income Tax	GART	Guess Accommodation Room Tax	STAP	Special Taxpayer Assistance Programme
ETC	Employment Tax Credit	OECD	Organization for Economic Co-operation and Development	STEP	School's Tax Education Programme
GCT	General Consumption Tax	PAYE	Pay As You Earn	TAJ	Tax Administration Jamaica
ICT	Information and Communications Technology	RAA	Revenue Administration Act	TCC	Tax Compliance Certificate
JSEZA	Jamaica Special Economic Zone Authority	RAiS	Revenue Administration Information System	TIWB	Tax Inspectors Without Borders
MBT	Minimum Business Tax	SCT	Special Consumption Tax	UN	United Nations
MNEs	multinational enterprises	SEZ	Special Economic Zone		

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

our Vision

to be come a

World Class

Tax Administration

our Core Values

Integrity. Mutual Respect. Professionalism.
Accountability. Customer-Centric. Teamwork

Guides our decisions, behaviours and actions in
relating to our taxpayers, stakeholders and each other

for the developent of our cutture of excellence

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At the start of each Financial Year (FY), Tax Administration Jamaica (TAJ) always renews its commitment to taxpayers, stakeholders, the general public and its employees to provide more customer-centric and innovative services to facilitate tax compliance. This resolution is given once more, for FY 2019/20, as the Department seeks to implement new strategies to complement existing ones that have been successful in achieving compliance targets for the last four financial years.

A suite of online services are now in place to facilitate cost effective and seamless voluntary compliance. Taxpayers are able to file all returns and obligations electronically. Also, though payments may be made online, taxpayers who choose to make payments inline, will now benefit from a system enhancement which will enable them to generate their own Payment Advice using their eServices account. Additionally, automated systems are being rolled out across tax offices to assist with the movement of taxpayers and/or their agents, conducting inline transactions.

In addition to the online facilities, TAJ boasts a cadre of dedicated, well trained staff who are prepared to deliver the relevant taxpayer education and service experience to inspire voluntary compliance. These services are offered via various channels, such as – seminars, workshops, advisory visits,Schools' Tax Education Programme (STEP) internationally recognised which seeks to teach tax literary to schools at the primary, secondary, tertiary level directly and through partnership with key stakeholders. and its flagship programme to assist micro taxpayers, Special Taxpayer Assistance Programme (STAP).

Unfortunately, there are a number of taxpayers who refuse to avail themselves of the different available service channels on offer, thus ultimately causing themselves to become none compliant. Some of these taxpayers were treated with aggressive compliance strategies in 2018/19 and the Department intends to ramp up these strategies even more in 2019/20. Delinquent taxpayers are strongly advised that failure to report income, profits or gains as defined within the Income Tax Act will result in enforcement action by the tax authority, utilizing the applicable provisions under the law.

A number of individuals and companies have already been identified, through data mining activities, who have transactions of sizeable economic value and have not filed a Tax Return for the corresponding Year of Assessment. TAJ will pursue these individuals and companies, i n furtherance of its strategic objective, to broaden the tax base. Additionally, audits will be carried out in circumstances where returns submitted have failed the Department's risk assessment checks; and enforcement actions will be pursued to collect amounts declared or those assessments that are not the subject of any dispute.

Recent Changes

Consequent to the 2019/20 budget presentation by the Minister of Finance, Dr. the Honourable, Nigel Clarke, tax administration of the following tax types will be impacted as set out below, effective April 1, 2019.

GENERAL CONSUMPTION TAX

The threshold for General Consumption Tax registration has been increased from $3,000,000 to $10,000,000.

Consequently, taxpayers whose Total Supplies for the calendar year 2018 falls below $10,000,000 will no longer have any compliance obligation for this tax type. Notwithstanding the foregoing, taxpayers who are able to demonstrate any of the following criteria will be permitted to remain as registered taxpayers.

- *Persons who satisfy the Commissioner that their Total Supplies for calendar year 2019 will amount to the new threshold figure; or their average monthly Total Supplies will value $833,333.*
- *Manufacturers of prescribed goods.*
- *Persons engaged in the growing of agricultural produce that is exported directly or through an organization established for the purpose of exporting that produce; or who supply the produce to a registered taxpayer for use in the production of finished goods.*

STAMP DUTY & TRANSFER TAX

- *All ad valorem Stamp Duty rates payable on any instrument pursuant to the Stamp Duty Act has been replaced with a specific (flat rate) stamp duty of $100.00 per document / parcel related to transactions below $500,000.00 and $5,000.00 per document/parcel valued at $500,000.00 or more.*
- *The rate of Transfer Tax on real property and financial instruments has been reduced from 5% to 2%.*
- *The threshold on transfer tax for Estate purposes has been increased from $100,000 to $10,000,000.*
- *The rate of Transfer Tax on real property and financial instruments has been reduced from 5% to 2%.*

ABOLITION OF MINIMUM BUSINESS TAX

Specified taxpayers who operate a business and dormant companies will no longer be required to pay the MBT with effect from Year of Assessment 2019. This includes taxpayers whose permitted accounting period terminate in any month within the calendar year 2019.

MODIFICATION OF ASSET TAX

Asset tax previously imposed on non-financial institutions has been abolished, therefore, these taxpayers will no longer have this compliance obligation

New System

revolutionizing how taxpayers interface with us

TAX ADMINISTRATION JAMAICA
increases its digital transformation

TAJ has set, as its overarching strategic objective, to become a world class Tax Administration in the delivery of excellent service to its customers and stakeholders. One of the most important tools that can be utilized to realize this vision is the adoption and implementation of advances in Information and Communications Technology (ICT) – digitalization. Organizations around the world have relied on the intensive use of modern information systems to broaden the scope of their operations, discover new and more efficient means of reaching their clients and improving on their goods and service offerings to their clients

As a customer-centric organization, TAJ has made significant investment in its tax information system, Revenue Administration Information System (RAiS). The operationalization of RAiS marked a significant milestone in the timeline of Jamaica's tax history. RAiS has revolutionized not only how TAJ administers the nation's tax laws and its ability to manage data; but also how taxpayers interface with the organization. The new system is well equipped with analytical tools and has exponentially aided TAJ's audit and compliance functions. Since the full operationalization of the system, TAJ has achieved the unprecedented feat of consistently exceeding the revenue targets set by the Ministry of Finance. As it relates to clients, RAiS offers the facilities to allow taxpayers to meet all their filing and payment tax obligations. It also offers several additional features such as allowing customers to:

- *Manage their tax account*
- *Apply for refund*
- *Apply for the zero-rating of invoices*
- *Make payment arrangements*
- *Lodge an objection*
- *Apply for Tax Compliance Certificate (TCC)*
- *Initiate application for Taxpayer Registration Number*
- *Search and query property tax information and make payments*
- *Access a slew of services which were previously only available in office - e.g. online payment for motor vehicle fitness and traffic tickets.*

RAiS also offers a web message feature which allows for two-way personalized communication between the tax office and taxpayers. This web message feature can be used by TAJ to send message to all clients registered on the system. Taxpayers can therefore be kept informed of any new tax law, regulation or change in procedure instantaneously. These developments have significantly changed the demographic of persons in the banking hall of tax offices.

eService offerings has improved the ease and convenience to taxpayers

The benefits to the taxpayers are extensive. eService offerings has improved the ease and convenience to taxpayers in meeting their obligations since they can now complete their transactions from the comfort of their home, office or anywhere in the world on any given day of the week. Taxpayers can now bypass the hassle of physically visiting the tax offices and experiencing long waits for services. Digitalization has also improved the processing time for several transactions.

For example, although payments may be made online, taxpayers who choose to make payments inline, will now benefit from a system enhancement which will enable them to generate their own Payment Advice using their eServices account. This printed Advice is then submitted with payments at any Tax Office island-wide and thus reduce the number of transactions and waiting time in the banking halls.

Updated Website

In the modern world, the website of any organization is the customers' first point of contact. TAJ has made the necessary steps to constantly upgrade its website and implement mechanisms to maintain its relevance and currency. Consequently, complete and accurate information is available to assist taxpayers with their various compliance obligations. Additionally, all the relevant forms needed to effect compliance are readily available with the necessary amendments to account for recent legislative changes.

The website also allows browsers to make property tax queries using the valuation number. The property tax feature provides a summary of the account, allows for printing of payment advices and facilitates payments.

Internet Access

TAJ has been proactive in the establishment of filing centers, filing kiosks and eTaxSpots at facilities in tax offices to enable taxpayers wishing to access the suite of services available online. To date, the eleven (11) locations with the highest volume of taxpayer traffic have been outfitted with such facilities. The completion of five (5) more locations is on-going and plans are afoot for another five (5). This effort will bring the number of locations with such facilities to twenty-one (21) by the end of the FY 2019/20.

Mandatory e-filing

Effective January 2019, with the exception of Individual Income Tax (IIT), all returns and obligations being submitted to TAJ have to be done via Tax Administration Jamaica's (TAJ) online portal at www.jamaicatax.gov.jm. It is anticipated that this requirement will be completed in January 2020 when IIT returns will be facilitated.

- *Company Income Tax (CIT)*
- *Estimated Income Tax Return (IT07)*
- *Assets Tax*
- *Employer's Annual Returns (S02)*
- *Employer's Monthly Statutory*
- *Remittance Payroll Deductions (S01)*
- *General Consumption Tax (GCT)*
- *Special Consumption Tax (SCT)*
- *Guess Accommodation Room Tax (GART)*

Stamp Duty & Transfer Tax

Clients carrying out stamp duty and transfer tax transactions are able to submit applications and make payments online, thus eliminating the need for them to physically visit the office

.

Queue Management System

TAJ has started a phased implementation of an automatic queue system in its tax offices (Falmouth and Constant Spring) to manage the flow of customers within the banking halls. This system is designed to improve the customers' experience by using a virtual queue and allowing for a seated waiting area. The system facilitates the precise and automatic measurements of all transactions and the information will assist the Department in its planning, strategies and staff deployment.

E-payments

For FY 2018/19 seventy-seven percent (77%) of the value of all payments received by TAJ were done electronically. Of the various payments options, Direct Banking had the highest value, accounting for over fifty-eight percent (58%) of all payments.

Making Strong Progress

Our Year In Review 2018/19

REVENUE PERFORMANCE

TAJ's net revenue target for FY 2018/19 was $330.7B. "Table 1" shows an overview of revenue performance for the period under review

$330.7B

FY 2018/19

Another Revenue Performance

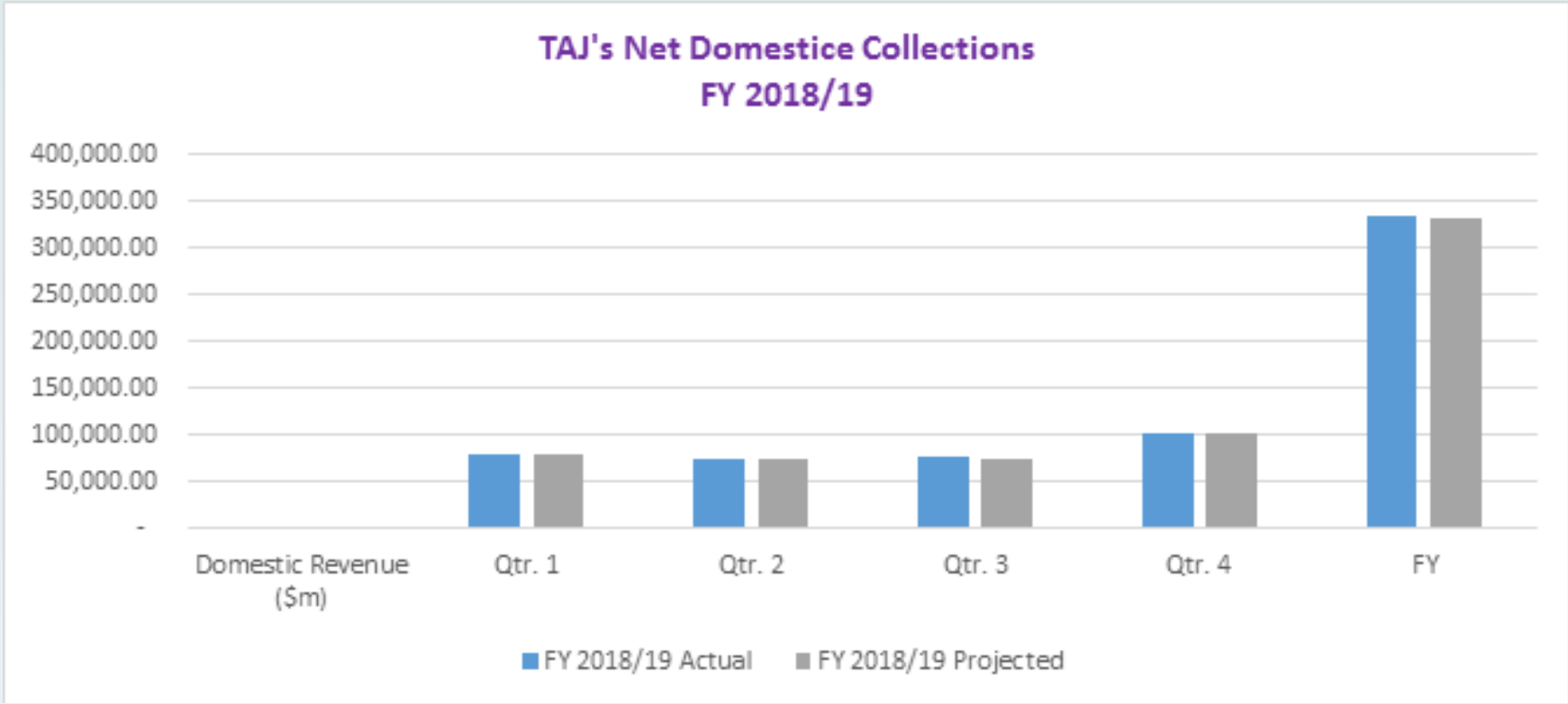
$4.1B above target

Collections for the FY of $334.8B were $4.1B or 1.2% above target and $27.9B or 9.1% above the previous period last year

Collections for Income and Profits totaled $143.5B (or 43% of net collections), while Production and Consumption which was 57% of net collections, totaled $191.3B – they surpassed the targets by 1 and 2% respectively

Overview of Domestic Revenue Performance

	FY 2018/19				FY 2017/18	Change - FY 2018/19 vs FY 2017/18	
Domestic Revenue ($m)	Actual	Projected	Difference - Actual vs Projected		Actual		
Qtr. 1	79,924.0	79,924.4	(0.4)	0.0%	73,612.0	6,312.0	8.6%
Qtr. 2	75,184.2	75,184.3	(0.1)	0.0%	70,159.4	5,024.8	7.2%
Qtr. 3	76,441.7	74,356.4	2,085.3	2.8%	63,929.3	12,512.4	19.6%
Qtr. 4	103,281.2	101,282.2	1,999.0	2.0%	99,185.2	4,096.0	4.1%
FY	334,831.0	330,747.3	4,083.7	1.2%	306,885.8	27,945.2	9.1%



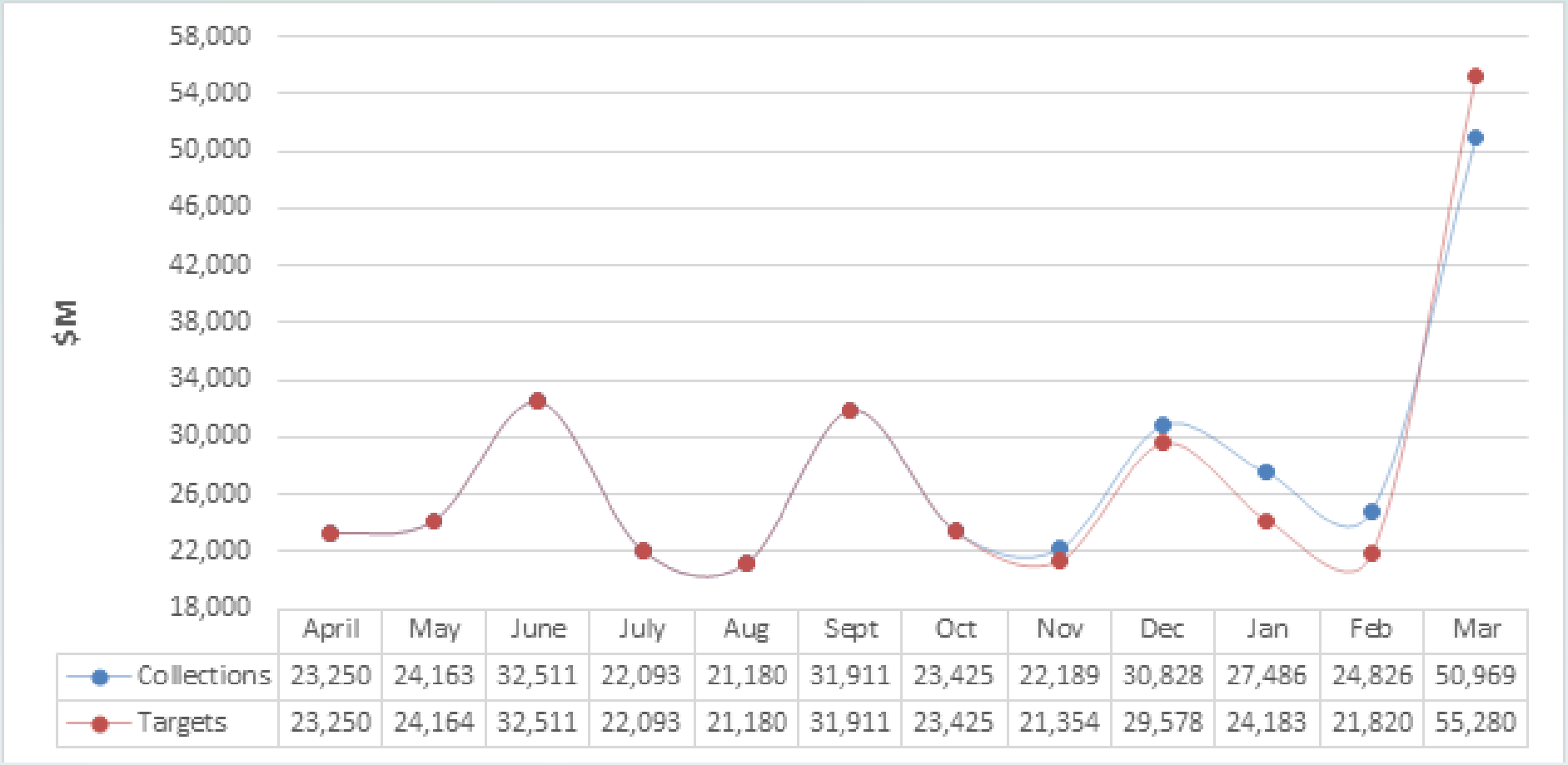
The core tax types monitored by TAJ: Company Tax (including Asset Tax), PAYE, SCT, Education Tax and GCT accounted for $280.8B or 84% of the total net collections. Table 2 and Chart 2 show collections vs targets for FY 2018/19. Collections were generally in line with targets for April to October, while collections for the last four out of the last five months were above targets.

Factors impacting revenue performance may be attributed to increased compliance action, the strengthened enforcement capabilities, strengthened focus on court action, as well as stamp duty and transfer tax from the sale of high valued properties.

Table 2: Net Collections vs Targets (per Tax Type)

	Collections	Targets	Variance
Tax Revenue	334,831	330,747	4,084
Income and profits	143,519	142,698	821
Other companies	61,323	63,868	-2,544
PAYE	58,037	56,608	1,429
Tax on dividend	2,206	2,198	8
Other individuals	5,165	5,437	-272
Tax on interest	16,788	14,587	2,201
Production and consumption	191,312	188,050	3,262
Minimum business tax	1,081	1,091	-10
SCT	25,905	27,828	-1,923
Environmental Levy	537	566	-28
Motor vehicle licences	4,574	4,263	312
Other licences	1,526	1,059	468
Quarry tax	69	57	12
Betting, gaming and lottery	5,551	5,049	502
Accommodation tax	2,742	2,759	-17
Education tax	29,168	28,297	871
Tele/Call termination tax	3,185	3,023	162
Contractors levy	2,513	2,515	-2
GCT (local)	100,695	98,044	2,651
Stamp duty (local)	13,765	13,500	266

Chart 2: Net Collections vs. Net Targets



	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Collections	23,250	24,163	32,511	22,093	21,180	31,911	23,425	22,189	30,828	27,486	24,826	50,969
Targets	23,250	24,164	32,511	22,093	21,180	31,911	23,425	21,354	29,578	24,183	21,820	55,280

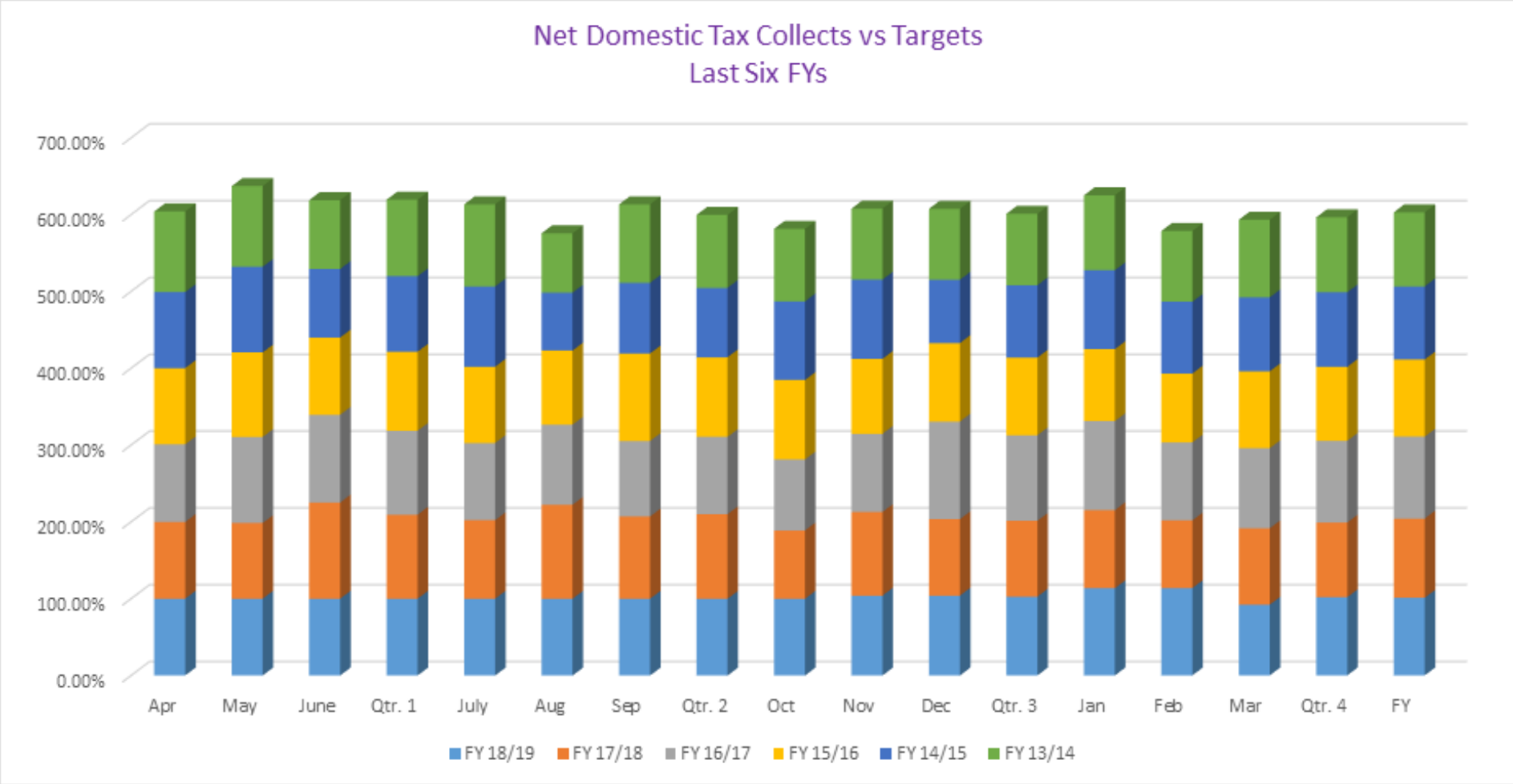
TAJ has set, as its overarching strategic objective, to become a world class Tax Administration in the delivery of excellent service to its customers and stakeholders. One of the most important tools that can be utilized to realize this vision is the adoption and implementation of advances in Information and Communications Technology (ICT) – digitalization. Organizations around the world have relied on the intensive use of modern information systems to broaden the scope of their operations, discover new and more efficient means of reaching their clients and improving on their goods and service offerings to their clients.

Table 3 shows the monthly performance against targets for six (6) years. The highlighted areas indicate the times when collections exceeded targets.

Table 3: Performance against Targets

	FY 18/19	FY 17/18	FY 16/17	FY 15/16	FY 14/15	FY 13/14
Apr	100.0%	99.9%	101.1%	99.2%	99.0%	105.1%
May	100.0%	98.6%	112.0%	110.1%	111.5%	105.1%
June	100.0%	125.3%	114.2%	100.6%	89.2%	89.6%
Qtr. 1	100.0%	109.4%	109.2%	103.1%	98.3%	99.5%
July	100.0%	102.3%	100.3%	99.4%	104.6%	106.8%
Aug	100.0%	122.3%	104.4%	96.5%	75.3%	77.3%
Sep	100.0%	107.1%	98.2%	113.9%	92.2%	102.0%
Qtr. 2	100.0%	110.1%	100.7%	103.5%	90.4%	95.1%
Oct	100.0%	88.9%	92.4%	103.5%	102.3%	94.5%
Nov	103.9%	109.0%	101.8%	97.6%	103.3%	92.3%
Dec	104.0%	99.7%	126.9%	102.2%	82.4%	92.4%
Qtr. 3	102.7%	98.8%	111.4%	101.1%	94.2%	93.0%
Jan	113.7%	101.7%	116.0%	93.6%	102.7%	97.6%
Feb	113.8%	88.2%	101.5%	89.7%	93.5%	92.1%
Mar	92.2%	99.6%	104.2%	100.2%	96.3%	100.9%

Chart 3: Annual Performance vs Targets



TAXPAYER SERVICE & EDUCATION

TAJ's taxpayer service, education and stakeholder engagement focus continued as Taxpayer Education Teams, Technical Specialists, Client Relationship Managers and Customer Care Agents interfaced with taxpayers to educate and inform them of their rights and obligations as well as provide tax information and assistance.

Seminars, workshops, sensitization sessions and speaking engagements were some of the strategies employed. Traditional and social media were also utilized to complement these service and education efforts.

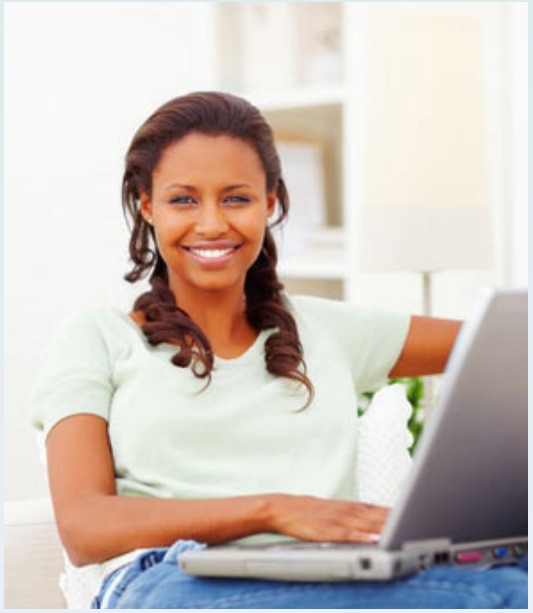
GCT on-time filing was targeted for special taxpayer service this year as a number of taxpayers consistently submitted returns late and were constantly being served with Estimated Assessments consequent to their delinquency. Having regard to the foregoing, a taxpayer service and education programme was developed to – determine possible reasons for the taxpayers' tardiness and to offer assistance to specifically mitigate against this practice.

Additionally, personalized eOne-on-One and eOn-Spot sessions continued to assist taxpayers to meet their mandated eFiling requirements.

Taxpayer Segments	CIT	IIT	PAYE	GCT	SCT	GART	AVG
Large	100%	100%	100%	100%	100%	100%	100%
Upper Medium	100%	33%	100%	100%	100%	100%	89%
Medium	100%	76%	100%	100%	100%	94%	95%
Small	100%	68%	100%	100%	100%	95%	94%
Micro	100%	40%	100%	100%	100%	66%	84%

Currently there are approximately 54,000 taxpayers registered for eFiling.

TAJ assisted hundreds of small businesses and self-employed persons to meet their tax filing obligations through the annual Special Taxpayer Assistance Programme (STAP).



SPECIAL TAXPAYER ASSISTANCE PROGRAMME (STAP)

TAJ assisted hundreds of small businesses and self-employed persons to meet their tax filing obligations through the annual Special Taxpayer Assistance Programme (STAP).

These free sessions are designed to assist business owners and self-employed individuals with a gross annual income of less than $5M, to prepare their Income Tax Returns, which become due on March 15. TAJ personnel offered support to guide taxpayers through the online filing process, as well as provided assistance with the preparation of the relevant forms and documentation.

Employers would have also benefited from these sessions, which were extended to the end of March, as TAJ personnel assisted these taxpayers to prepare and file their Annual Employers Return (S02) due March 31.

Further, various small business associations were engaged to facilitate STAP sessions with their respective memberships to effect on-time compliance.

REGISTRATION

TAJ continued its quest to widen the tax net as well as improve its taxpayers' database over the financial year resulting in:

4,545 taxpayers
were registered

4,545 taxpayers were registered for additional tax types. These taxpayers also fall largely within the wholesale, retail and repairs, real estate and professional sectors.Approximately 2,700 defunct taxpayers have been deregistered and will no longer receive any compliance actions. These tax-payers spanned various sectors – wholesale, retail and repairs; real estate, renting and business activities; construction; hotels and restaurants; and personal services.

more than 70%
records updated

Approximately 95,000 taxpayers' records were updated (i.e. names; addresses; the additions of business branches; et al) with more than *70% of these registration updates being done to update taxpayers addresses.* Taxpayers are reminded that they are required to update their records, where the information on file has changed, so that critical communications and notifications can be properly served/delivered for their necessary attention. This includes providing email addresses as well as cellular phone numbers (where available).

$718.7M
in tax revenues

Approximately 17,500 new taxpayers being registered *(1,796 companies and 15,704 individuals)*. These new taxpayers contributed $718.7M in tax revenues. The majority of these taxpayers are small and micro taxpayers and fall within the personal services and wholesale, retail and repairs sectors

$25.5M
arrears reduced

In addition, 11,975 taxpayers' accounts were de-registered. *These deregistrations resulted in the arrears balance being reduced by $25.5B,* with the largest arrears reduction in consumption taxes of 88% or $22.5B for SCT and 11% or 2.6B for GCT.

ACCURATE REPORTING

> *Over the FY 2018/19 TAJ conducted a mixture of audit activities to achieve the audit coverage stipulated in its Strategic Objectives. The strategy applied was to segment the taxpayers based on the different audit risks identified and utilize the audit process best suited for that segment.*

Table 5: Number of Audits Completed

ISSUE AUDITS	SINGLE AUDITS	COMPREHENSIVE AUDITS	DESK AUDITS	TOTAL
40	21	19	0	80
42	15	9	0	66
124	56	28	0	208
82	133	55	0	270
24	258	41	3,667	3,990
312	483	152	3,667	4,614

Overall, the percentage of large taxpayer and medium taxpayer populations audited for the Financial Year exceeded 13% and 6 % respectively.

Various reporting issues were examined as the Department strove to improve the accuracy of returns submitted. The major ones extracted from the compliance risk framework are set out below:

- *Taxpayers utilizing the Employment Tax Credit (ETC)*
- *Taxpayers submitting Income Tax Returns with "Nil" liabilities*
- *Taxpayers who have submitted Income tax Returns, where they have consistently declared tax losses for three years or more.*
- *GCT taxpayers with an Input Tax/Local Supplies ratio > 25%.*
- *GCT taxpayers with Total Supplies* **less than the stipulated $3M threshold**

The issues pertaining to the ETC and GCT Total Supplies were considered to be the highest priority given the number of taxpayers identified, as well as the associated revenue leakage. Given the nature of the errors observed, it was decided to twin the audit activities with taxpayer education programmes, therefore, even in instances where the taxpayer would not have been audited, they would have received the necessary information so that they could accurately complete returns in the future, or where necessary, take the appropriate steps to become deregistered (GCT taxpayers).

The issue of under-reporting of Turnover and/or Total Supplies were often discovered during audits especially at the small and micro taxpayer levels, however these were easily detected and treated with consequent to data analysis conducted using third party data. It was also observed that in a number of instances taxpayers continue to overstate expenses or misclassify capital expenses as revenue expenses in order to lower their tax liabilities.

The different reporting errors resulted in audit assessment for the various tax types as set out below.

Table 6: Audit Assessments FY 2018/19

CIT	IIT	PAYE	GCT	SCT	DESK AUDIT	Total
384,869,295	-	98,331,858	1,975,955,221	9,649,173	431,290,650	2,900,096,197
167,404,595	-	11,295,036	196,017,423	-	59,375,035	434,092,088
160,454,701	10,014,708	16,649,980	364,482,222	-	82,912,699	634,514,309
144,946,437	133,001,550	13,281,012	253,674,358	-	15,645,279	560,548,636
31,525,330	228,671,298	3,667,224	128,592,909	-	436,839,445	829,296,207
889,200,358	371,687,556	143,225,110	2,918,722,133	9,649,173	1,026,063,107	5,358,547,438

Source: RAiS

The audit teams encountered numerous challenges in circumstances where taxpayers either did not keep proper books and records; or in instances where these are maintained, the taxpayers failed or refused to provide them, even after multiple requests.

TAJ is reminding self-employed individuals and businesses that it is an offence not to keep proper books and records relating to their business activities. Additionally, the failure to produce such books, records and documents within the time specified when requested by the Commissioner General of Tax Administration Jamaica, for an audit/investigation is also a criminal offence. This will result in prosecution under Section 17IA of the amended RAA, which carries a penalty of up to $2,000,000 or imprisonment, or both. During the Financial Year several persons were duly prosecuted for failing to provide the requested books and records and several more are currently before the courts.

TAJ Completes its first Transfer Pricing Audit

Since 2015, the Government of Jamaica has been taking incremental steps to address the manner in which multinational enterprises (MNEs) operating within the jurisdiction treat with their corporation tax obligations. Transfer pricing legislation was introduced in 2015; additionally, large taxpayers are now required to submit more information on transactions (Schedule 8), especially as it relates to related parties. This placed more onus on companies to show that their pricing mechanisms were justified. Since 2017, auditors from TAJ, have received training to help identify and challenge the tax planning of large firms.

This assistance is being offered by Tax Inspectors Without Borders (TIWB), a programme backed by the Organization for Economic Co-operation and Development (OECD) and the United Nation (UN). Analysis of a particular MNE's Financial Statements, revealed that the company may have transfer pricing issues. A subsequent review of the company's Declaration of Connected Party transactions, Schedule 8, confirmed that there were significant related party transactions, therefore the decision was taken to conduct a transfer pricing audit. Guided by information garnered from training and research provided by TWIB, the Schedule 8 was analyzed to determine the issues likely to have the greatest risks for transfer pricing. From this analysis, the following transactions were initially selected for examination:

- *Intra Group Loan & Interest*
- *Royalty/Licence Fee*
- *Purchases of Finished Goods*
- *Shared Services*

In keeping with Section 17 of the Income Tax Act, the main issue was whether these transactions were conducted using the arm's length principle, whether independent parties operating under comparable circumstances would engage in these transactions under terms and conditions similar to this taxpayer. The Eighth Schedule of Section 17 of the Act requires the taxpayer to apply a transfer pricing method in determining the arm's length consideration of a connected party transaction. This information must be included in the documentation provided and should include the financial and other information of the comparable independent companies.

Information gathered from the examination of the taxpayers' documents provided, as well as, interviews conducted with various key personnel, resulted in adjustments being carried out on the following basis.

Intra Group Loan & Interest	*Shared Services*
Written documents called Financing Loan Agreement' were provided as evidence for the financing received from the parent company.	This taxpayer received no economic value from particular shared services.
The loan was in existence for over ten (10) years	Duplication of services
Interest payments were being made and claimed as expenses.	No actual service provided to this taxpayer for particular shared services
The stated Interest rate of deemed inordinately high.	Insufficient/no data provided to substantiate the charge
There was no repayment schedule or fixed maturity date for payment of principal amount	
There was no stated penalty nor was any action taken for non- payment of principal	
The taxpayer has been operating from a negative equity position since 2009	
Conclusion taken that this was not a bona fide loan	

FILING & PAYMENT COMPLIANCE

TAJ employed a number of strategies to improve the taxpayer's on-time filing compliance rate for the different tax types

Filing KPIs

Taxpayer service and education teams identified GCT taxpayers who appeared to be having difficulties meeting their compliance obligations and provided assistance and guidance to facilitate easier on-time filing. Additionally, the advent of mandatory e-filing of GCT returns meant that taxpayers could now submit returns from any location at their own leisure and convenience. Taxpayers who lacked online facilities were accommodated at the different tax offices by the provision of filing centres, kiosks and hot spots.

Taxpayer Segments	CIT	IIT	PAYE	GCT	SCT	GART
Large	82.60%	79.1%	94.5%	88.2%	89.2%	86.7%
Upper Medium	70.80%	75.1%	88.6%	97.2%	83.4%	83.0%
Medium	63.00%	69.9%	84.9%	84.7%	78.6%	76.2%
Small	56.40%	61.3%	75.0%	67.3%	71.9%	66.4%
Micro	40.40%	28.5%	41.4%	45.7%	63.4%	43.9%

Table 8: On-Time Filing Rates
Source: RAiS

Small and micro individual taxpayers were assisted to file their Income Tax Statutory Final Returns, through the annual Special Taxpayer Assistance Programme (STAP). Taxpayers were invited into the tax offices and other public spaces with their books and records; they were provided with the necessary guidance and education to complete their returns. They also seized the opportunity to register for efiling and to seamlessly submit their returns electronically.

Large and medium taxpayers received continuous customer relation management from the Large Taxpayer Office.

Payment KPIs

TAJ's payment compliance strategy was to ensure that the most recent tax declarations are collected. This is in keeping with the principle that the older a tax debt becomes, it's the more difficult it is to collect. Added to the fact that the taxpayer may have already consumed the funds, with the passage of time, there are additional financial consequences such as interest, surcharge and penalties that the taxpayer will now have to contemplate.

Taxpayer Segments	CIT	PAYE	GCT	SCT	GART	AVG
Large	58.40%	69.5%	47.6%	72.0%	73.5%	64.2%
Upper Medium	55.00%	57.4%	46.4%	57.6%	64.2%	56.1%
Medium	47.10%	41.5%	40.7%	32.6%	60.5%	44.5%
Small	30.20%	19.0%	40.7%	17.1%	45.3%	30.5%
Micro	7.40%	2.0%	11.4%	0.0%	36.8%	11.5%

Table 9: On-Time Payment Rates
Source: RAiS

Economic Sectors Analysis

It was observed that the Financial Sector is the largest contributor to revenue collections, followed by Manufacturing; Real Estate, Renting & Other Business Activities; Transportation and Storage; and fifth was the Motor Cycles, Personal and Household Goods sector – refer to Table 10 below.

As it relates to revenue collections per taxpayer segments, large taxpayers contributed on average 76.7%; taxpayers in the upper medium segment contributed 8.9%; those in the medium segment contributed 9.4%; small taxpayers contributed 4.4% and micro taxpayers contributed .6%. The construction industry seems the most competitive across the different taxpayer segments as it relates to revenue collections.

Revenue Collections per tax segments

76.7%
LARGE TAXPAYER

8.9%
UPPER MEDIUM

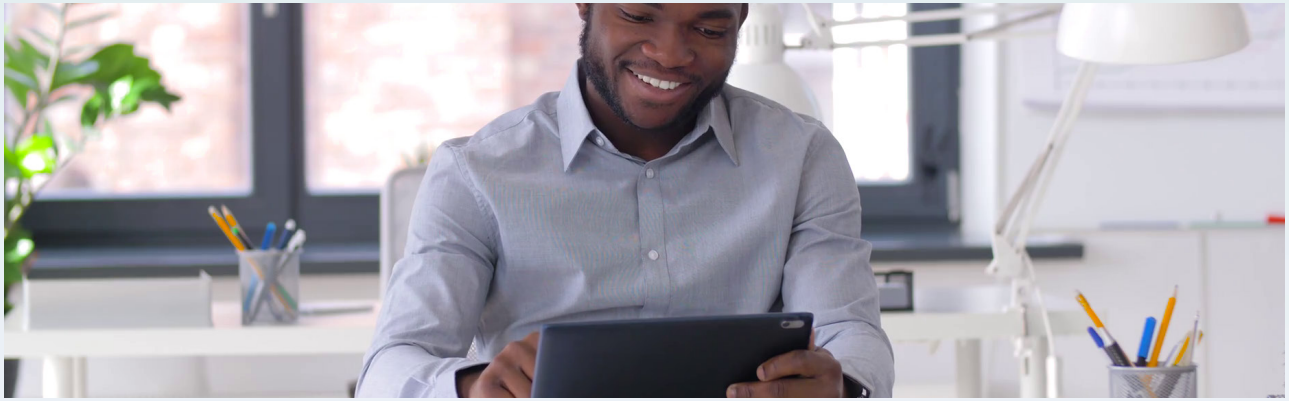
9.4%
MEDIUM

4.4%
SMALL TAXPAYERS

.6%
MICRO TAXPAYERS

Source: RAiS

Sector Description	Large	Upper Medium	Medium	Small	Micro
Financial Intermediation	21.9%	2.5%	0.9%	0.3%	0.0%
Manufacturing	18.5%	1.0%	1.1%	0.3%	0.0%
Real Estate, Renting and Business Activities	5.3%	1.8%	2.3%	1.4%	0.2%
Transport, Storage and Communication	9.3%	0.5%	0.6%	0.3%	0.0%
Wholesale, Retail Trade	6.3%	1.0%	1.8%	0.7%	0.1%
Hotel and Restaurants	4.3%	0.5%	0.4%	0.3%	0.0%
Electricity, Gas and Water Supply	3.3%	0.1%	0.0%	0.0%	0.0%
Public Administration, Social Security	2.3%	0.5%	0.4%	0.1%	0.0%
Education	1.3%	0.1%	0.7%	0.2%	0.0%
Other Community, Social and Personal Services	0.8%	0.2%	0.6%	0.3%	0.0%
Health and Social Work	1.6%	0.1%	0.1%	0.1%	0.0%
Construction	0.3%	0.3%	0.3%	0.2%	0.0%
Mining and Quarrying	0.6%	0.4%	0.0%	0.0%	0.0%
Agriculture, Hunting and Forestry	0.6%	0.1%	0.1%	0.0%	0.0%
Private Households with Employed Persons	0.0%	0.0%	0.0%	0.0%	0.0%
Fishing	0.0%	0.0%	0.0%	0.0%	0.0%
Extra-Territorial Bodies	0.0%	0.0%	0.0%	0.0%	0.0%



Sector	CIT	Asset Tax	PAYE	Ed. Tax
Financial Intermediation	25,015,796,415	6,762,462,813	13,322,192,868	4,796,512,323
Manufacturing	5,901,804,792	67,706,231	4,375,449,510	2,291,340,888
Real Estate, Renting & Business Activities	5,687,585,756	260,232,604	6,268,801,894	4,733,545,138
Transport, Storage & Communications	4,491,640,148	43,512,863	3,663,036,531	2,067,933,876
Motor Cycles, Personal & Household Goods	7,851,629,591	214,747,480	5,506,612,670	3,272,481,994
Hotels & Restaurants	2,005,283,299	28,082,150	2,697,982,104	2,289,476,781
Electricity, Gas & water Supply	1,198,011,841	2,815,666	1,813,677,183	756,134,842
Security	94,318,254	1,676,336	6,381,747,138	2,418,653,322
Education	256,179,251	3,167,760	4,880,995,347	1,537,329,540
Other Community, Social & Personal Services	1,385,688,281	31,002,932	1,496,037,735	1,019,212,347
Health & Social Work	216,078,405	25,531,352	4,274,784,258	1,075,516,303
Construction	905,270,289	51,629,353	875,588,247	508,552,374
Mining & Quarrying	205,419,971	5,097,109	1,577,517,059	735,707,287
Agriculture, Hunting & Forestry	611,926,729	12,638,222	791,762,889	399,691,282
Wholesale & Retail Trade; Repair of Motor Vehicles	11,333,195	1,324,798	13,893,038	49,139,838
Private Households & Employed Persons	2,038,471	100,000	57,544,642	12,107,486
Fishing	2,674,084	493,315	1,818,488	2,882,942
Extra-Territorial Organization & Bodies	20,785		4,099,856	3,991,728
Grand Total	55,842,699,556	7,512,220,983	58,003,541,458	27,970,210,291

Source: RAiS

GCT	GART	IIT	SCT	Grand Total	
22,214,996,834	157,939,533	129,729	310,788	72,270,341,304	25.960%
19,708,774,796	106,597	97,500	26,549,563,460	58,894,843,775	21.156%
13,320,871,128	589,728,257	155,900	53,201,263	30,914,121,941	11.105%
16,632,718,575	1,968,854	109,292		26,900,920,138	9.663%
10,825,552,562	22,202,099		62,886,564	27,756,112,960	9.970%
6,638,911,890	1,906,515,649	27,647		15,566,279,519	5.592%
5,884,501,046				9,655,140,578	3.468%
442,128,656				9,338,523,706	3.354%
133,882,562	2,225,176			6,813,779,637	2.448%
1,870,090,271	65,081,862		36,302,987	5,903,416,415	2.121%
78,031,613				5,669,941,931	2.037%
603,315,173	117,293			2,944,472,729	1.058%
397,368,750				2,921,110,175	1.049%
411,633,425	130,628		261,542,615	2,489,325,791	0.894%
69,458,578	59,830	111,486,768		256,696,045	0.092%
4,707,009				76,497,608	0.027%
1,059,906	169,302			9,098,036	0.003%
				8,112,369	0.003%
99,238,002,774	2,746,245,080	112,006,836	26,963,807,677	278,388,734,656	

Arrears Management

TAJ's arrears management is based on three elements:

Early collections

The Department has a compliance timeline that is used to guide the collection process. There is diversity of compliance actions and modes of intervention to be pursued at different stages. The number of days the debt is outstanding will dictate the Department's action for particular taxpayers (see diagram below).

Strategic recoveries

The Department has invested heavily in information technology and this is also deployed in arrears management activities. The current information system (RAiS) offers the opportunity to use analytics and other technology to profile taxpayers with a view to determine which taxpayers' liabilities should be pursued. Apart from effective prioritization, the information system provides improved data on outstanding liabilities. Therefore, arrears can be properly segmented into economic sector; taxpayer segments; et al; to facilitate analysis and develop collection strategies. The data also assist in understanding taxpayers' compliance behaviour and predict their likelihood of compliance.

Stronger enforcement actions

Where moral suasion (calls, web messages, reminder notices and visits by compliance officers) has failed the Department has resorted to stronger enforcement mechanisms. Currently, the Department is seeking to optimize cooperation from third parties (financial institutions; employers; debtors; tenants; et al) to retain monies due to tax debtors (garnishment).

TAJ also offered tailored payment arrangements as well as full debt write-offs in circumstances where taxpayers demonstrate that they are experiencing financial difficulties and are unable to pay the liabilities.

Figure 1 sets how the different compliance strategies employed by the Department, at the various timelines. It will be observed that as the liabilities become aged, the strategies employed are more stringent as the Department is serious about its enforcement strategies and its strategic objective to curb non-compliance.

JAMAICA OBSERVER

Business fined $250,000 for failure to provide documents to TAJ

Saturday, January 19, 2019

TAJ is reminding taxpayers that it is an offence not to keep proper books and records relating to their business activities, and/ or failure to produce such books, records and documents when requested to do so for an audit/investigation within the specified time will result in TAJ prosecuting taxpayers under Section 17 I or IA of the amended RAA, which carries penalties of up to $2 million, imprisonment, or both.

BUSINESSMAN PROSECUTED, FINED

December 03, 2018

Tax Administration Jamaica (TAJ) through its Intelligence, Investigation and Enforcement Unit (IIEU) prosecuted St. James businessman.....under Section 171A of the amended Revenue Administration Act (RAA) for failure to produce books, records and documents as requested.

JAMAICA OBSERVER

Latest News

TAJ fines St Ann wholesale for failure to provide book-keeping

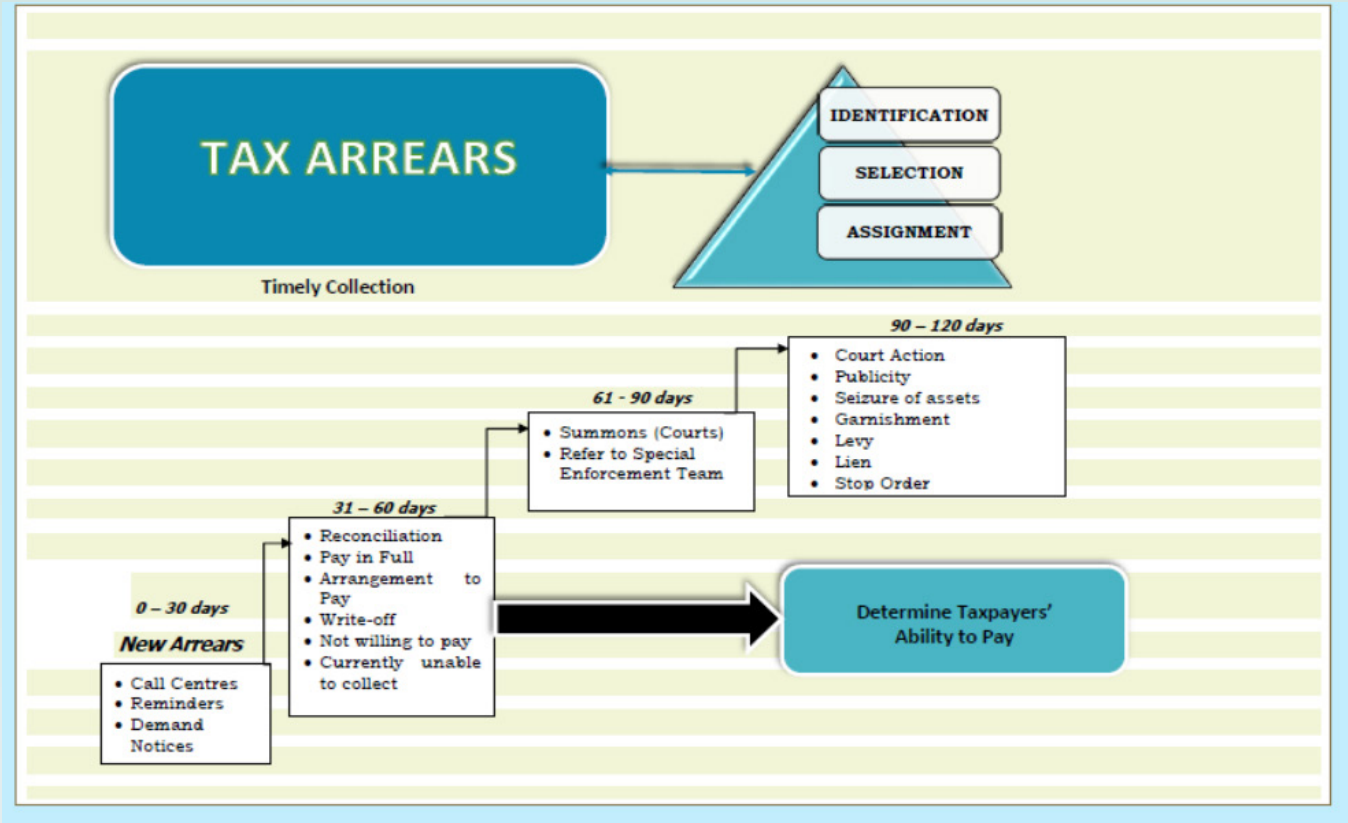
Friday, January 18, 2019

JAMAICA OBSERVER

Latest News

TAJ prosecutes taxpayer for unlawfully collecting GCT

Monday, November 19, 2018



Enforcement Procedures

Prosecutions

These actions were part of sustained efforts by Tax Administration Jamaica to enforce the laws it administers, in order to improve trust and fairness within the system.

1. *A number of taxpayers were prosecuted for various offences under the respective revenue statutes:*
2. *Pursuant to section 99 of the Income Tax Act, taxpayers were prosecuted for making false declarations – that is, submitting fictitious Income Tax returns.*
3. *Individuals and companies were prosecuted for failing to submit Income Tax Returns, despite being notified by the Commissioner to do so, pursuant to section 70 of the Income Tax Act.*
4. *Several taxpayers committed offences when they failed to provide books, records and documents requested pursuant to section 17IA RAA.*
5. *Individuals were also prosecuted for collecting General Consumption Tax (GCT) without being a registered taxpayer, in breach of section 56 (5) GCTA.*
6. *Taxpayers were also prosecuted for breaching section 56(4) GCTA, that is, failure to pay over amounts collected to TAJ.*
7. *Where the taxpayers' actions were not criminalized within a revenue statute, they were prosecuted for cheating the public revenue at common law.*

Arrests Carried Out

TAJ also collaborated with the Jamaica Constabulary Force to pursue taxpayers who failed to appear in court after being summoned, as well as those who continuously defaulted on court judgments or payment arrangements between them and the Department. Several taxpayers were arrested and taken before the court where they had to settle outstanding liabilities forthwith or face imprisonment.

TAJ continues to carry out enforcement activities to ensure the protection of the revenue and warns taxpayers who have defaulted on their arrangements or a Court Order that strong enforcement action will be taken against them.

Garnishment

To prevent further revenue leakages and collect outstanding sums due, the Department also used its authority to effect the garnishment of funds belonging to taxpayers who are indebted to the Department and refuse to liquidate their liabilities. Garnishment Notices were served on the following categories of persons, instructing them to withhold funds owed or belonging to these taxpayers and remit same to TAJ.

- *Commercial Tenants*
- *Financial Institutions*
- *Government Employers*
- *Private Sector Employers*
- *Residential Tenants*
- *Trade Debtors*

Engaging
with our taxpayers to
increase on-time filing

PLANNED ACTIVITIES 2019/20

TAJ has a number of ways through which taxpayers may engage the Department and from which information can be disseminated. Taxpayers are therefore urged to utilize the various delivery channels on offer to access the necessary support, assistance or guidance needed to facilitate timely compliance with their obligations

Taxpayer Service & Education

On-Time Filing

Buoyed by the improvement in the on-time filing rate for GCT, consequent to a specially designed programme to effect same, TAJ will continue its focus to have taxpayers submit the relevant returns and obligations by the stipulated due dates. The usual communications and advisories will continue to be circulated to provide general taxpayer education, assistance and reminders. However, a number of special activities have been prepared to further assist taxpayers and increase compliance.

GCT taxpayers run the risk of Estimated Assessments being generated when they fail to submit returns by the stipulated filing date. Once these assessments are generated, they attract interest, surcharge and penalties, thus, becoming increased financial burden on the taxpayers to pay. Income Tax taxpayers are faced with the consequences of being penalized $5,000.00 (plus interest) for each month after the due date that the return remains outstanding.

TAJ has a number of ways through which taxpayers may engage the Department and from which information can be disseminated. Taxpayers are therefore urged to utilize the various delivery channels on offer to access the necessary support, assistance or guidance needed to facilitate timely compliance with their obligations.

Several strategies have been contemplated to achieve the strategic objectives to increase on-time filing:

- As at January 1, 2019 all tax types with the exception of Individual Income Tax are mandated to be filed online.
- Establishment of filing centres and the provision of internet kiosks and tax hot spots for persons without internet facilities.
- The Special Taxpayer Assistance Programme (STAP) to assist small and micro taxpayers in the preparation of their Income Tax returns have been revamped.
- Taxpayers filing data will be analyzed to identify those taxpayers who are in need of assistance and/or education and provide the necessary support.

Accurate Reporting

Analysis of Income Tax (IT), General Consumption Tax (GCT) and Employers Annual Returns (PAYE) for the last three Financial Years have revealed a number of constant reporting errors among a high percentage of taxpayers. Several planned interventions have been organized so that taxpayers will receive greater opportunities to be carefully guided on the proper completion of these returns.

The highlighted issues are:

- *Employment Tax Credit – IT*
- *Taxpayers in Exempt Activities – GCT*
- *Completion & computation of Return to account for all taxable emoluments and the appropriate tax payable; as well as the incidence of employees benefitting from Income Tax threshold allowance on multiple occasions – PAYE.*

Taxpayers are to be engaged through seminars, advisory visits; specially organized eOne-on-One sessions; literatures and other communication mechanisms will also be developed and circulated by the Department. The public is advised that current, updated information is readily available on the Departments website that will assist in the preparation of the various returns.

Additionally, TAJ can be contacted through various media to obtain assistance or guidance.

- *Web messages*
- *Customer Care Centre: 888-TAX-HELP (829-4357)*
- *taxhelp@taj.gov.jm*
- *Website: www.jamaicatax.gov.jm*
- *Facebook: www.facebook.com/jamaicatax*
- *Twitter:@jamaicatax*

TAJ Changing the way we do business

Surveys

TAJ will continue to assess the delivery of its services and interaction with clients; as well as taxpayers' perception of the organization. To this end, several surveys will be conducted internally and externally to ascertain the Department's strength and weaknesses. Strengths will be reinforced and any weaknesses highlighted will be swiftly addressed in so far as it's within the immediate ambit of the Department to effect the necessary correction.

REGISTRATION

New taxpayers brought into the net will be empowered with the relevant taxpayer education and information needed to become and remain compliant; as well as afforded the services necessary to accommodate them

This Fiscal Year TAJ will become more aggressive in its effort to pursue its strategic objective to widen the tax net. To date a large volume of data has been accumulated in its data warehouse to facilitate data-mining activities to identify new taxpayers for registration (bring into the tax net).

In addition to the usual activities carried out by compliance and taxpayer service officers, a dedicated team of employees has been tasked with the responsibility to pursue potential taxpayers identified and have them registered; ensure all relevant returns are submitted and declared liabilities settled, or the necessary payment agreements established and monitored for compliance.

New taxpayers brought into the net will be empowered with the relevant taxpayer education and information needed to become and remain compliant; as well as afforded the services necessary to accommodate them.

The objective of this programme is to foster and improve the relationship between TAJ and its clients. Consequently, new taxpayers will be entreated to seminars with the following topics:

- *Why pay taxes*
- *Jamaica's Tax System*
- *Taxation for Small Businesses*
- *Good Record Keeping*
- *Introduction to the major tax types (Income Tax, GCT, MBT)*
- *Taxpayers Rights and Obligations*
- *eServices (How to Guides, Online eService Registration, Filing and Payment Demonstrations)*

New taxpayers are advised that they may obtain further information and assistance on the tax laws and/or any other tax related matter by *contacting the TAJ Customer Care Centre at 888-TAX-HELP (1-888-829- 4357) or the nearest Tax Office or visit our website at www.jamaicatax.gov.jm.*

Deregistration

The Department will also continue the updating of taxpayers' records by deregistering the customer, profile or account type(s), where necessary. The primary purpose is to remove from the database, those taxpayers who:

- *are no longer alive (individuals);*
- *have ceased business operations (organization or sole proprietor);*
- *no longer meet the legislative requirement to be registered;*
- *no longer have obligations to comply with a particular tax type;*
- *are companies struck from the registry of the Companies Office of Jamaica COJ register; and have duplicate records or their registration is invalid.*

Increase in GCT Threshold

$10M

Effective April 1, 2019, the GCT threshold increased from $3,000,000 ($3M) to $10,000,000 ($10M) per annum

below

Therefore, persons, engaged in a taxable activity whose Total Supplies for the previous calendar year falls below $10M or who is not likely to have Total Supplies amounting to $833,333.33 on an average monthly basis will no longer be required to be registered for GCT.

Consequently, persons whose Total Supplies do not meet any of these criteria will be deregistered as at May 1, 2019.

Taxpayers who are affected by the increase in the threshold have been notified of the Commissioner General's intent to deregister them. Notifications were sent by registered mail as well as via taxpayers' eservices accounts. Taxpayers were advised of their right to submit written objections to the proposed deregistration within thirty (30) days of the date of service of the Notice of Intention.

Effect of the Change in Status from a Registered Taxpayer

Deregistration, means a change of status from registered taxpayer. When the deregistration process is completed persons will no longer be registered taxpayers, thus, will not be required/permitted to:

- *Display a GCT Certificate of Registration;*
- *Issue a Tax Invoice;*
- *Charge and collect tax;*
- *File GCT returns.*

Deregistered taxpayers should note that their change of status does not prevent TAJ from collecting tax which was owed whilst the taxpayer was a registered taxpayer; nor does it preclude the Department from conducting audits for the periods for which they were so registered. Taxpayers will be advised whether or not a final audit will be conducted prior to the completion of the deregistration process. However, if one is not done before deregistration, the records of the business activity should still be kept for six (6) years. Notwithstanding the foregoing, taxpayers falling within the following categories will not be deregistered, albeit their Total Supplies do not meet the established thresholds.

- *Taxpayers who are involved in the manufacturing of prescribed goods.*
- *Taxpayers who are engaged in the growing of agricultural produce, who*
- *a) export that produce either directly or through an organization established for the purpose of exporting that produce; or*
- *b) sell that produce to a registered taxpayer for use in the production of finished goods; and*
- *Taxpayers who are provisionally registered under Section 26A of the GCT Act*

Voluntarily Registered Taxpayers

Additionally, persons desirous of being registered taxpayers despite falling below the aforementioned threshold figures will also be accommodated as "voluntary taxpayers". Currently registered taxpayers will be required to satisfy the Commissioner General in writing as to why they ought not to be deregistered; and other persons will need to satisfactorily explain why they ought to be granted permission to be a registered taxpayer. If the Commissioner General finds the applicants' submissions satisfactory, then they will be voluntarily registered as taxpayers and observe all the attendant obligations required under the statute.

AUDIT

The audit programme covers TAJ's core tax types – Income Tax (Individual and Corporate), General Consumption Tax (GCT) and Pay as You Earn (PAYE). All programmes are intended to address major areas of reporting risk

The audit programme will be competed through desk and field audits. Desk audits will address areas of specific risk and have been modified so that they will have a wider taxpayer coverage. Field audits will involve more detailed inspections, thus, are expected to take significantly more time than Desk Audits and are more comprehensive. For this year, the desk audits to be pursued will be the PAYE Threshold Abuse and the Fiscal Incentives Act Programmes.

Compliance risk management analyses revealed several major issues of tax consequences impacting Income Tax Returns submitted, which were deemed to be inaccurate. Given the number of returns exhibiting these particular reporting risks; the associated number of taxpayers so identified; as well as the consequential revenue leakages arising therefrom; it was decided that this year audit programme will extend the review of Income Tax Returns as it relates to the following issues.

Taxpayers submitting returns where they have declared "Tax Losses" for three (3) consecutive years.

These taxpayers' General Consumption Tax returns for the corresponding periods as well as their Employers Annual Returns (S02s) were used to re-compute their Income Tax returns and the results suggest that the Income Tax Returns submitted are not accurate as it relates to the losses (liabilities) declared.

Taxpayers submitting returns where all fields are completed with "nil".

These taxpayers submitted Income Tax Returns for the Year of Assessment 2017 to suggest that they were not trading; however, analysis of Third Party Data revealed various economic transactions from which it can be concluded that that they were clearly operating businesses. Additionally, these taxpayers would have also submitted General Consumption Tax Returns for the corresponding period.

TAXPAYERS ARE HEREBY REMINDED that it is a criminal offence to submit returns which have been intentionally prepared to reflect artificial/fictitious results.

Further, attorneys assigned to conduct criminal prosecution have begun taking instructions to determine if taxpayers who continuously submit these returns ought to be criminally prosecuted.

INCOME TAX	GCT	PAYE
Taxpayers who appear to be computing Employment Tax Credit incorrectly, or are claiming the tax credit contrary to the statutory provision.	Taxpayers whose returns are deemed to be inaccurate based on analytical positing by the audit risk model	Employers who appear to have computed/completed their Annual Returns (S02) forms incorrectly.
Taxpayers reporting less Turnover than amounts disclosed by 3rd party sources.	Taxpayers whose Total Supplies are below the new stipulated threshold of $10M, and are slated for deregistration.	
Individuals benefitting from the Income tax Threshold multiple times, by virtue of having more than one employer.	Taxpayers whose Input Tax/ Local Purchases ratio exceeds 25%	

FILING & PAYMENT

TAJ's filing and payment compliance activities will be carried out around the following items. Taxpayers are reminded of the different tax dates (refer to the beginning of manual) and are continuously reminded to file on-time and pay all amounts declared, in order to avoid further compliance costs.pertaining to the tax types;

Income Tax Stop Filers

Taxpayers who have failed to submit their Income Tax Final Returns for Year of Assessment 2018 will be served with Reminder Notices. If they remain non-compliant, then they will be served with summons to appear before the tax court to account for the outstanding returns.

Missing S01s

Employers are reminded that they are obligated to remit the monthly payroll declarations (S01) by the 14th of each month, and to pay the amounts that are being declared. Employers are further advised that the Income Tax Act stipulates that employers' failure to submit these declarations or to pay amounts deducted are actually criminal offences for which directors of companies or any other principal officer can be personally prosecuted.

Missing Income Tax Obligations

Companies and Individuals are reminded that where they submit a Final Return with positive values, they are required to submit and pay quarterly Estimated Returns (IT07 AND S04A) respectively. Taxpayers who fail to comply will be pursued through various compliance approaches.

Arrears Management

- *After five (5) days, the Customer Care Centre gives taxpayers a courtesy call, in instances where they have filed a return and the total amount declared has not been paid in full.*

- *If the liability remains after thirty days, then compliance officers will call or visit these taxpayers to secure payments.*

- *Taxpayers are always urged to pay all outstanding liabilities in full by the due dates, in order to avoid further compliance costs such as interest, surcharge and penalties. However, in the event that they are unable to do so, then they are advised to enter into payment agreements with the Department, in order to liquidate the liability.*

- *Taxpayers are reminded that they are able to view their account balances online. In the event an error is detected, this should be brought to the attention of the relevant tax office so that the necessary reconciliation can be effected.*

Enforcement

As demonstrated in FY 18/19, where moral suasion or regular compliance activities have failed to yield the desired compliance results, that is, the taxpayers refuse to file the relevant returns or pay outstanding liabilities then the Department will resort stronger measures to procure compliance. These include: Judgment Orders – levy warrants; arrest and detention orders; garnishment; liens.

Working together
serving better

SPECIAL ECONOMIC ZONE (SEZ)

As of March 2019, approximately sixteen (16) Developers and Occupants have been issued with operating certificates, approximately seventy-one (71) additional entities will transition from the Freezone to the Special Economic Zone by December 2019.

The operating certificate serves as a license for the entity to operate under the SEZ Act which confers certain rights and obligations. The effective date of the operating certificate determines the date from which all the benefits under the various tax legislations would be effective for the Developer or Occupant. Operating certificates are to be renewed annually.

Persons operating under the SEZ regime have the following tax obligations:

Registration

As part of the registration process, TAJ must provide a no objection report to Jamaica Special Economic Zone Authority (JSEZA). The Department will seek to ensure that entities currently in the domestic market are not migrating to the SEZ regime. There is also the need to ensure that the objects and purpose of the SEZ entity is not an excluded activity listed in Section 41 of the SEZ Act. Finally, like any other taxpayer, Developers making a taxable supply to zone users ought to be registered for GCT, once they meet the taxable threshold.

Filing Compliance

Zone Developers and Occupants are required to observe the same compliance deadlines other Bodies Corporate entities. At a minimum they will be required to submit Income Tax and PAYE returns; they may also be liable to file GCT returns depending on their registration status. Filing compliance is also one of the factors considered in the renewal of the operating certificate of Zone Developers and Occupants.

Reporting Compliance

All SEZ Developers and Occupants are expected to file the IT15 annul return, Declaration of Connected Persons Transactions Schedule (Sch. 8) and the IT15A for estimated obligations. The Income Tax Act provides for a number of benefits, the effect of which is to reduce the company's tax liability. SEZ Developers and Occupants are entitled to reduced corporate income tax rate of 12.5% which can be further reduced to 7.5% where the ETC (max. of 30% of CIT) and Promotional tax credit (10% of taxable income) benefits are maximized.

Table 12: Applicable Tax Rates for Entities Operating Under the SEZ Act		
Corporate Income Tax (CIT)	Developer	Occupant
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	✓	✓

Developers and Zone Operators are reminded of Jamaica's Transfer Pricing Rules, the law requires arms' length transaction for transactions between connected parties. Therefore, enterprises are urged to ensure that amounts are properly stated as it relates to matters such as management fees; shared services; inter-company loans; finished goods; among others.

Payment Compliance

Entities operating within the SEZ regime are expected to pay all outstanding liabilities by the stipulated due dates for the relevant tax type.

Training and Sensitization

The introduction of any new taxing regime comes with inherent risks and as such TAJ undertakes to provide the necessary taxpayer services and education needed to ensure that taxpayers are fully informed of their rights and obligations and benefits. Whilst the Department will be proactive in engaging and treating with these entities, operators are encouraged to seek assistance at the earliest instance, once a matter of tax consequence needs determination.

Jamaica

has bi-lateral and multi-lateral treaties

INTERNATIONAL OBLIGATIONS

It is beyond question that it is becoming more difficult to assess and collect corporation tax in an increasingly global environment with mobile capital. Furthermore, there are concerns that the current system allows multinational enterprises (MNEs) to shift profits from high tax to low tax jurisdictions.

JAMAICA'S TREATY OBLIGATIONS

JAMAICA'S DOUBLE TAXATION PARTNERS	
INTERNATIONAL PARTNERS	CARICOM PARTNERS
Canada	Antigua
China	Barbados
Denmark	Belize
France	Dominica
Germany	Grenada
Israel	Guyana
Italy	Saint Kitts & Nevis
Mexico	Saint Lucia
Norway	St. Vincent & the Grenadines
Spain	Trinidad & Tobago
Switzerland	
United Kingdom	
United States	

Having regard to this, over the years, the government of Jamaica has entered into various bi-lateral and multi-lateral agreements to safeguard the country's revenue as well as to protect its residents from the incidence of double taxation. At present Jamaica has bi-lateral and multi-lateral treaties in force between the following jurisdictions.

Most recently, the Governments of Jamaica and Japan have agreed in principle, on the tax convention between the two countries. The Convention includes provisions for the purposes of clarifying the scope of taxation in the two countries, eliminating international double taxation and preventing tax evasion and avoidance; it is also expected to promote further mutual investments and economic exchanges between the two countries.

The Convention will be signed after the final text has been fixed and the necessary internal procedures have been completed by each of the two Governments. Thereafter, the Convention will enter into force after the completion of the domestic process in both countries (in the case of Japan, approval by the Diet).

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