

MINISTRY PAPER No. 128/09.

**Enhanced Revenue Measures for the balance of
FY2009/2010 and Medium Term**

Members of this Honourable House are invited to take note of the following additional revenue measures being proposed for implementation, effective January 1, 2010:

1. Increase in the Standard Rate of General Consumption Tax

It is being proposed that the standard rate of General Consumption Tax (GCT) be increased from the current 16.5% to 17.5%.

The revenue yield from this measure is estimated at \$3.6 billion annually.

2. Expansion of the GCT Base

In an effort to broaden the tax base and reduce the level of distortions in the system, it is proposed that the list of exempt items be further reduced. Appendix 1 represents the items that continue to be exempt. Appendix 2 represents items that have been removed from the exempt list and are now taxable.

The revenue yield from this measure is estimated at \$6.2 billion annually.

3. Imposition of GCT on the supply of Electricity to residential premises

It is being proposed that GCT at the standard rate be applied as follows:

The supply of electricity provided to residential premises for private or domestic use above a threshold of 200 kilo watt hours of electricity per month. The supply of electricity of 200 kilo watt hours and below will be zero rated.

The revenue yield from this measure is estimated at \$1.2 billion annually.

4. Adjustment to the SCT on Fuel

Currently under the GCT Act fuel attracts both a specific and an advalorem rate of Special Consumption Tax. It is now proposed that an advalorem rate of 15% be applied as follows:

- (a) Where the fuel is manufactured in Jamaica, the 15% will be applied to the ex refinery price inclusive of the Specific component of the SCT.

- (b) Where the fuel is imported into Jamaica the Advalorem rate will be applied to the value as prescribed in the GCT Act.

The items to be affected include:

- Motor Spirits including E10/87, E10/90
- Automotive Diesel Oil
- Kerosene (Excluding Turbo Jet A1 Fuel)
- Marine Diesel Oil and

The estimated yield for the measure is \$9.4 billion annually.

5. Increase in the Special Consumption Tax (SCT) on Cigarettes.

It is being proposed that cigarettes of tariff #2402.20 and 2402.9010 be increased from the current \$8,500 per 1,000 sticks to \$10,500 per 1,000 sticks.

The expected revenue yield from this measure will be \$1.41 billion with 20% of this amount to be remitted to the National Health Fund.



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Minister of Finance and the Public Service
December /7 , 2009

SUMMARY OF ENHANCED REVENUE MEASURES

		\$Billion (annualized)	
1.	Increase in the Standard Rate of GCT	-	3.6
2.	Expansion of the GCT Base	-	6.2
3.	Removal of the Exempt GCT Status of Electricity	-	1.2
4.	Re-introduction of the Ad Valorem Component of the SCT	-	9.4
5.	Increase in SCT on Cigarettes	-	<u>1.41</u>
Total Revenue Measures			<u>\$21.81</u>

**The new schedule of Exemptions under Parts 1 & 2
of the Third Schedule to the GCT Act**

Goods

1. Travel tickets for international travel.
2. Milk **excluding** condensed milk, powdered skimmed milk, flavoured milk, milk-based products and milk substitutes.
3. Infant formulae
4. Rice
5. Cereal flour known as counter flour
6. School uniforms only
7. Drugs specified in the Fourth Schedule (List Four Drugs) to the Food and Drugs Regulation, 1975.
8. Contraceptive devices and substances.
9. Artificial breathing apparatus for individuals afflicted with respiratory disorder.
10. Printed matter (**excluding newspapers, magazines, periodicals and journals**) and materials classified under Tariff Headings Nos. 49.01 to 49.05 such as –
 - a) brochures, pamphlets and leaflets for religious purposes and books and booklets;
 - b) children's picture books and painting books;
 - c) maps and hydrographic charts and similar charts of all kinds, including atlases, wall maps and topographical plans, printed globes (terrestrial or celestial).
11. Stationery and educational apparatus and equipment (including those used for games and physical training) which are for use by any educational institution approved by the Minister and which are intended solely for educational purposes as certified by the responsible officer of such educational institution.
12. Stationery (including writing paper), printed forms, envelopes and blotting paper for use in an examination which are purchased in Jamaica or imported therein by or on behalf of the Cambridge Local Examination Committee, the Caribbean Examination Council or any other examination body recognized by the Minister responsible for education for which there is a certificate signed by the Secretary of the respective body verifying the use for which the stationery, forms, envelopes and paper are intended.
13. Exercise books specified under Tariff Sub-Heading No. 4820.20 of the First Schedule to the Customs Tariff (Revision) Resolution, 1972.
14. Parcels whose value (exclusive of customs duty and postage) does not exceed such amount under Item No.52 of the Second Schedule to the Customs Tariff (Revision) Resolution, 1972.
15. Duty Free Passengers' baggage and household effects as described in and to the extent allowed under Items No. 6 and 6A of Part 1 of the Second Schedule to the Customs Tariff (Revision) Resolution, 1972. (Returning Jamaican Resident)
16. Gold bullion, coins and bank currency notes imported by the Bank of Jamaica.

17. Unused postage, revenue and other stamps, postmarks and franked envelopes, letters and cards imported by the Postmaster-General.
18. Goods (except motor vehicles) acquired by or on behalf of the Boys Scouts or Girls Guides Associations of Jamaica or any other youth organization or association approved by the Minister which the Commissioner of Inland Revenue is satisfied are necessary for the rendering of their services.
19. Altar bread, matzos unleavened bread, communion wafers and altar wine purchased or imported for the purpose of administering the sacraments which the head of the denomination for which they are intended declares in writing will be used only for the purpose intended.
20. Candles, myrrh and frankincense which the Commissioner of Inland Revenue is satisfied are purchased or imported solely for use in places of divine worship.
21. Diagnostic reagents used for the testing of dextrose in the blood and glucose, protein, ketones and pH in the urine.

Services

22. Transportation of people within Jamaica, except tour services rendered by tour operators.
23. The rental of residential property used for residential purposes only.
24. Public postal and telegraph services.
25. Services rendered by a charitable corporation or charitable association, or service clubs or a home for the aged approved by the Minister.
26. Medical, dental, nursing and optical services and services provided pursuant to the Professions Supplementary to Medicine Act.
27. Services performed under a contract the payment for which is by a foreign government or a multilateral lending agency.
28. The supply of electricity to commercial and industrial customers.
29. The supply of water (excluding bottled water) to the public.
30. Services rendered by the Jamaican Branch of the Red Cross Society.
31. Services rendered by the St. John's Ambulance Brigade.
32. Services rendered by the Boy Scouts and Girl Guides Association of Jamaica and any other youth organization or association approved by the Minister.
33. Services rendered under a contract of health insurance.
34. Services rendered under a contract of life insurance.
35. Services rendered in relation to the Betting, Gaming and Lotteries Act.
36. The following services (excluding catering services) rendered at a port or international airport in Jamaica:
 - loading or unloading of aircraft or vessel
 - port and harbour services
 - docking, berthing and mooring
 - conservancy
 - aircraft landing
 - parking and housing
 - apron services
 - airport navigation services

- 37. Food produced exclusively for the feeding programme of a school approved by the Minister responsible for education which is not for resale to the general public.
- 38. The provision of education or training in an educational institution approved by the Minister responsible for education.
- 39. Services rendered by Legal Aid Clinics and under the Poor Prisoners Defence Act.
- 36. The following financial services –
 - a) the exchange of money;
 - b) the payment or collection of a cheque;
 - c) the issue of a letter of credit, traveller's cheque, bank cheque, postal note, cash card, credit card or money order;
 - d) the issue, allotment, drawing, acceptance, endorsement, transfer of ownership, or payment of a debt security;
 - e) the issue, allotment, or transfer of ownership of an equity security or a participatory security;
 - f) underwriting or sub-underwriting the issue of an equity security, debt security, or participatory security;
 - g) the provision of credit under a credit contract;
 - h) the assignment of any hire-purchase agreement;
 - i) the provision of a guarantee, indemnity, security, or bond in respect of the performance of obligations under a cheque, credit contract, equity security, debt security, or participatory security, or in respect of the activities specified in paragraphs (b) to (h);
 - j) the provision or transfer of ownership, of a life assurance contract or the provision of re-insurance in respect of any such contract;
 - k) the provision or transfer of ownership of an interest in a superannuation scheme;
 - l) the provision or assignment of a futures contract through a futures exchange;
 - n) the payment of dividends and interest.

The exemption shall not apply to –

- a) any commission earned by a salesman in the life insurance industry who is self-employed or is employed as an independent contractor; or
- b) the following –
 - (i) services rendered by an accountant or attorney-at-law; or
 - (ii) fees or commission charged in respect of the services specified in subparagraphs (a) to (n) of paragraph (1).

**Items deleted from Parts 1 & 2 of Third Schedule to the GCT Act
and are now subject to GCT.**

1. Raw foodstuff as follows –
 - (a) fresh fruit and vegetables
 - (b) ground provision
 - (c) legumes
 - (d) onions and garlic
 - (e) meat
 - (f) poultry
 - (g) fish, crustacean or mullosc
2. Cornmeal
3. Corned beef.
4. Pickled mackerel, herring, shad and dried salted fish.
5. Canned sardines, herrings and mackerel.
6. Bread, buns, bullas, biscuits and crackers.
7. Sugar
8. Salt.
9. Eggs.
10. Patties
11. Rolled oats.
12. Baking flour
13. Any live bird, fish, crustacean, mollusc or any other animal of a kind generally used as or yielding or producing food for human consumption and draught animals.
14. Unprocessed agricultural produce, including produce from stock farming, fresh water fish farming, forestry cultivation and horticulture supplied directly at the farm gate.
15. Cooking Oil.
16. Syrup
17. Fish, cock and noodle soups
18. Animal feeds
19. Surgical gloves, including disposable, sterile and those made of latex rubber.
20. Condensed and powdered skimmed milk
21. Corn.
22. Soya Meal
23. Wheat.
24. Fishing apparatus, gear, boats and engine, equipment and parts.
25. Motor spirit and lubricating oil (that were usually sold to fishermen).
26. Sanitary towels and tampons
27. Solar water heaters
28. Photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels.
29. Disposable diapers for the incontinent.

30. Orthopaedic appliances, surgical belts, trusses, splints and other fracture appliances, artificial limbs, eyes, teeth and other artificial parts of the body, hearing aids, other appliances which are worn or carried or implanted in the body to compensate for any bodily defect or disability, canes, and crutches designed for use by the handicapped and eye glasses and contact lens used for the treatment of correction of a defect in vision on the written prescription of an eye-care professional. Parts and accessories for any of the items specified in this paragraph.
31. Invalid carriages.
32. Medical and surgical prostheses including surgical implants and ileostomy, colostomy and similar abilities designed to be worn by human beings.
33. Printed matter and materials classified under Tariff Headings Nos. 49.01 to 49.05 **excepting:**
 - a) brochures, pamphlets and leaflets for religious purposes;
 - b) books and booklets (**excluding magazines, newspaper, periodicals and journals**);
 - c) children's picture books and painting books;
 - d) maps and hydrographic charts and similar charts of all kinds, including atlases, wall maps and topographical plans, printed globes (terrestrial or celestial).
35. Sports' equipment (including clothing).
36. Furnishing or decorating a place of worship or as vestments for use during public worship.

Services

The following operations –

37. the construction, alteration, repair, extension, demolition or dismantling of any building or structure, including offshore installations, that is to say, installation which are maintained or are intended to be established for underwater exploitation;
37. the construction, alteration, repair, extension or demolition of any works forming or intended to form, part of the land, including (without prejudice to the generality of the foregoing) walls, roads works, powerlines, telegraphic-lines, aircraft runways, docks and harbours, railways, inland waterways, pipelines, reservoirs, water-mains, wells, irrigation works, sewers, industrial plant and installation for purposes of land drainage, coast protection or defence;
38. operations which form an integral part of, or are preparatory to, or are for rendering complete, such operations as site clearance, earth moving, excavation, tunneling or boring laying of foundations, erections of scaffolding, site restoration, land-scaping and the provision of roadways and other access works;
39. Activities for which an admission fee is charged by any cultural or other organization.
40. The supply of electricity to residential premises.
41. The supply of sewerage disposal services.
42. The rearing of animals or the growing of crops under the contract for reward.
43. Services rendered by an undertaker in relation to burial or cremation including the supply of coffin.