REPORT OF THE SPECIAL SELECT COMIITEE ON GREEN PAPER 1/11 TITLED *"TAX REFORM FOR JAMAICA"*

Establishment, Composition and Powers of the Committee

Members of this Honourable House are reminded that on the 24th day of January, 2012, the Minister of Science, Technology, Energy and Mining and Leader of the House, the Honourable Phillip Paulwell, having obtained suspension of the Standing Orders, moved:

BE IT RESOLVED that this Honourable House appoint a **Special Select Committee** comprising the following Members:

Dr the Hon Peter Phillips – Chairman
Hon. Anthony Hylton
Hon. Horace Dalley
Dr the Hon. Omar Davies
Hon. Dr. Kenneth McNeill
Mr Fitz Jackson
Mr Audley Shaw
Mr Karl Samuda, CD
Mr Edmund Bartlett

to consider and report on the **Green Paper No. 1 of 2011** titled ***"Tax Reform for Jamaica" (see appendix I)***.

1. **Procedure in Respect of the Resolution**

At the first meeting held on February 8, 2012, your Committee took the decision that it would adopt the work of the **Committee on Tax Measures for the 2011/2012 Session of Parliament,** which the Green Paper had been referred to in the previous Parliamentary Session, given that the information from those deliberations was seen as invaluable. As such, the work of the previous Committee was consulted and the deliberations and recommendations will form a part of this report.

The Committee on Tax Measures for the 2011/2012 Session of Parliament met on Wednesday, September 21, 2011, to consider the Green Paper and made the decision that hearings would be scheduled for the submissions received. Also, due to the far-reaching nature of the reform, various stakeholders both within the public sector and in the wider society were given the opportunity through a Public Notice which appeared in The Sunday Gleaner and Sunday Observer dated Sunday, October 2, 2011 to make submissions to the Parliamentary Committee. The objective of involving the different stakeholders was to ensure that there is substantial 'buy-in' to what will eventually emerge from the process. The Committee received twenty-three (23) submissions from the following individuals and organizations:

- ✓ Association of Local Government Authorities of Jamaica (ALGAJ)
- ✓ Caribbean Policy Research Institute (CaPRI)
- ✓ Mr Carlton Stewart
- ✓ Consumer Packaging Limited (Manufacturer)
- ✓ Mr Dennis Chung
- ✓ Mr Donovan Dowie
- ✓ Ena Wong Sam Limited

- ✓ Institute of Chartered Accountants of Jamaica (ICAJ)
- ✓ Jamaica Confederation of Trade Unions (JCTU)
- ✓ Jamaica Environment Trust (JET)
- ✓ Jamaica Exporters Association (JEA)
- ✓ Jamaica Hotel & Tourist Association (JHTA)
- ✓ Jamaica Institute of Management (2009) Limited (JIM)
- ✓ Jamaica Promotions (JAMPRO)
- ✓ Jamaica Livestock Association Limited (JLA)
- ✓ Jamaica Rent-A-Car Association
- ✓ Jamaica Rum & Spirits Trade Association (JRASTA)
- ✓ Kingston & St. Andrew Parish Development Committee (KSAPDC)
- ✓ Ministry of Agriculture & Fisheries
- ✓ Ministry of Industry, Investment and Commerce (MIIC)
- ✓ Ministry of Foreign Affairs and Foreign Trade
- ✓ Owen, Orgill and Co.
- ✓ Spirits Pool Associations

Seven (7) of the above mentioned submissions: Ena Wong Sam Limited, the Jamaica Environment Trust (JET), Mr Donovan Dowie of Efficiency Systems Limited, the Jamaica Livestock Association Ltd, Jamaica Hotel and Tourist Association (JHTA), the Association of Local Government Authorities of Jamaica (ALGAJ) and the Jamaica Rent-A-Car Association were not heard in the Committee on Tax Measures and therefore were heard in your Committee, along with the following which were received:

- ✓ Automobile Dealers Association of Jamaica Ltd (ADA)
- ✓ Book Industry Association of Jamaica (BIAJ)
- ✓ Jamaica Civil Society Coalition (JCSC)
- ✓ Jamaica Securities Dealers Association (JSDA)
- ✓ Private Sector Working Group on Tax Reform (PSWG)

Your Committee benefitted from technical assistance from the officers of the Tax Policy Unit and the Tax Administration of Jamaica from the Ministry of Finance and Planning. The above mentioned groups made submissions to the Committee on Tax Measures and your Committee and vibrant discussions ensued.

2. OVERVIEW

Jamaica is at a critical economic crossroads, as the current taxation system is riddled with provisions that breed perceptions of unfairness, creates opportunities for manipulation of the rules in a bid to avoid tax, encourages the inefficient use of the country's scarce resources and ultimately inhibits economic growth. Therefore, decisive action geared towards the reformation of the country's tax system is paramount at this time, as an efficient tax system that is able to generate sufficient revenues to meet the Government's obligations is critical to public policy.

Green Paper No. 1 of 2011, *"Tax Reform for Jamaica"*, is a concept paper developed by the Tax Policy Division through the Ministry of Finance and Planning on the request of the Government of Jamaica.

According to the Green Paper, it was the intention of the Government to implement tax reform "in an incremental way to achieve the **objectives** of: ***equity*** and ***broadening of the base; improved compliance; growth and competitiveness arising from policy certainty and confidence in the economy.***

Most importantly, the measures must ***meet the revenue demands of the Budget while maintaining macro-economic and social stability".*** The paper also states that in a bid to achieve the stated mandate, there will be a rolling three (3) year medium term tax policy framework.

To facilitate the medium term tax policy framework, the Government would use the feedback from individuals and organizations to further fine-tune the Government's proposals in a bid to arrive at a final policy position on tax reform in the form of a White Paper.

3. FINDINGS

Your Committee is of the view that its function was not to establish rates, but to determine basic policy positions derived from the proposals contained in the Green Paper, which would then guide the tax reform process. Your Committee believes that if it should establish rates, it would in effect be fettering the decisions of the present as well as future administrations.

Your Committee agrees that tax reform has been a critical part of government policy for decades. In particular, your Committee believes that the Government of Jamaica is committed to reforming the tax system to ensure that the system is simple, efficient, provides equity and fairness, and stimulates economic growth whilst yielding adequate amounts of revenue.

Your Committee believes that the reformation of the Jamaican tax system is critical at this time, based on the reasons listed below:

- ✓ Jamaica is ranked 173/183 (worst) in paying taxes[1]
- ✓ The tax base is too narrow
- ✓ Special problem of tax incentives & waivers
- ✓ Inequities
- ✓ The system is overly complicated
- ✓ Tax administration is weak
- ✓ Complicated & confusing tax laws
- ✓ Multiple tax rates (GCT)
- ✓ The current system impedes international competitiveness
- ✓ The need to secure taxes adequate to lowering fiscal deficits and to position Jamaica's debt firmly on a downward trajectory in the medium term and to meet the social expectations as to services to be provided.

Regarding the future of Jamaica's tax system, your Committee is of the view that the key challenge is to deliver revenue to the Government in a manner that is less damaging to the country's growth prospects, is fairer and is drawn from tax bases that are sustainable in the future. As such, your Committee suggests that the reform be guided by the following broad objectives:

- ✓ The tax system must be capable of raising sufficient revenue to fund the expenditure required of future Governments.

- ✓ Tax system should place a priority on achieving economic growth

- ✓ The tax system should not be discriminatory to any economic sector or activities.

[1] WBIFC, Doing Business in Jamaica 2011

- ✓ People in similar circumstances should be treated in a similar way in order to achieve equity both vertical and horizontal.
- ✓ The social transfer system must provide assistance to those in need in accordance with intended distributional outcomes, while retaining a strong incentive for people to work and improve their lifetime opportunities if they are able.
- ✓ Policy settings should be coherent and reflect a greater emphasis on simplicity and transparency than is presently evident.
- ✓ Policy design should be integrated with technology to raise revenue efficiently, enhance social outcomes through tax design and improve the experience of people and business in interacting with the system.
- ✓ The design of the system and the assignment of revenue should support effective government and enable the Government to discharge its responsibility with clear standards of accountability.
- ✓ The design and operation of the system should ensure that the benefits of reform are enduring.

With respect to the principles of a good taxation system, your Committee recommends employing the following widely recognized indicators of good tax policy to analyze the proposed changes. The ten (10) guiding principles are equally important and should be considered when evaluating the current system and the reform proposals.

i. ***Simplicity*** - the tax laws and procedures should be clear and unambiguous, so that taxpayers understand the rules and can comply with them correctly in a cost efficient manner.

ii. ***Equity & Fairness*** – similarly situated tax payers should be taxed in the same way.

iii. ***Economic growth and efficiency*** – the tax system should be efficient and minimize as far as possible impediments to economic growth.

iv. ***Neutrality & Transparency*** – the effect of the tax law should not unduly influence a taxpayer's decision as to how to carry out a particular transaction. Taxpayers should know that a tax exists and how and when it is imposed upon them and others and in what circumstances.

v. ***Minimizing noncompliance*** – a tax should be structured to minimize noncompliance.

vi. ***Cost effective collection*** – the cost to collect a tax should be kept to a minimum for both the Government and taxpayers.

vii. ***Revenue integrity*** – the tax system should enable the Government to determine how much tax revenue will likely be collected and when. The tax system should be sustainable over time, minimize opportunities for tax avoidance and arbitrage, and provide a sustainable revenue base for the Government.

viii. ***Certainty*** – the tax rules should clearly specify when the tax is to paid, how it is to be paid, and how the amount to be paid is to be determined. The power of taxation should not be arbitrarily exercised.

ix. ***Payment convenience*** – A tax should be imposed at a time or in a manner that is most likely to be convenient for the tax payer and is not detrimental to the taxpaying public.

x. ***Coherence*** – individual reform options should make sense in the context of the entire tax system. While a particular measure may seem sensible when viewed in isolation, implementing the proposal may not be desirable given the tax system as a whole.

4. COMMENTS AND CONCERNS FROM INDIVIDUALS AND ORGANIZATIONS

The specific suggestions and proposals presented to the Committee on Tax Measures for the 2011/2012 Session of Parliament and the Special Select Committee to consider and report on Green Paper 1/11 titled *"Tax Reform for Jamaica"* are attached to the report in ***Appendix II***.

5. RECOMMENDATIONS

From the hearings conducted, the submissions received, as well as the Committee's deliberations with the guidance from the technical officers from the Tax Policy Unit (Ministry of Finance and Planning) and the Tax Administration of Jamaica, your Committee is pleased to submit its recommendations.

Your Committee is of the view that the Tax Measures Committee has met too infrequently and has not been utilized. As such, in keeping with the principle that there should be no taxation without representation your Committee recommends that in a democracy, the tax measures should be subjected to the democratic process and that the Parliament should be given the opportunity to have detailed deliberations on the specific tax measures proposed through the Tax Measures Committee.

Your Committee is of the view that the ultimate position of policy is to eliminate all exemptions on a phased basis as well as the lowering of the GCT rate and broadening of the base. However, in relation to basic food items, we are in favour of direct subsidies rather than the general subsidies implied by exemptions. As such, your Committee suggests that the Planning Institute of Jamaica (PIOJ) should examine trigger mechanisms that would see to the removal of the items that the Committee is recommending to be made exempt. Your Committee firmly believes that until the trigger mechanisms are in place, including either a reduction in the rate of poverty and or the preparation of effective transfer mechanisms that would be able to target subsidies to the vulnerable groups to a greater extent, a basket of basic food items should be retained as well as exemptions on other items that are listed below. It should be noted, that the stated measure is the first phase in assisting the most vulnerable within the society:

i. Milk
ii. Infant formula
iii. Canned sardines
iv. Canned mackerel
v. Cooking oil
vi. Brown sugar
vii. Flour
viii. Rice
ix. Salt
x. Chicken
xi. Insecticides for farming
xii. Fertilizer
xiii. Prescription drugs
xiv. Artificial breathing apparatus for individuals afflicted with respiratory disorder

xv. Orthopedic 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 for the handicapped, prescribed eye-glasses and contact lenses
xvi. Sanitary towels and tampons
xvii. Sacraments for church
xviii. Solar water heaters specified under tariff heading no. 8419.1910 and 8419.1920

During the deliberations, it was proposed that the GCT should be removed from electricity consumption. Your Committee is not in agreement with the proposal and therefore recommends that electricity as well as the other items listed below should be granted differential treatment other than the standard rate of GCT, due to their economic significance:

i. Oil products and imports (petroleum products)
ii. Telephone services
iii. Agricultural inputs

A recommendation was made to your Committee that the GCT on the sale of used rent-a-cars should be removed. Your Committee however is not in agreement with the proposal as it is of the view that a benefit was given at the purchase of the vehicles and as such, the public purse should be able to benefit when the vehicles are sold.

In keeping with the principle of simplicity, your Committee proposes that beef patties should be made taxable just as the other types of patties i.e. all patties should be subject to GCT.

In relation to printed matter (not including newspaper), articles and materials classified under tariff Heading Nos. 49.01 to 49.05, your Committee recommends that the exemption should be removed. Your Committee further recommends that a mechanism should be worked out for the schools to purchase the school materials and books. In addition, your Committee recommends that the Planning Institute of Jamaica (PIOJ) working with the Ministry of Education should in the interim examine a possible delivery mechanism in order to protect the students, which should be examined by your Tax Measures Committee.

Regarding the Green Paper's proposal on the 5% Advance GCT, your Committee is of the view that that system should be abolished on all imported goods except for bauxite and petroleum, creditable against any type of tax after a period to be determined and proposes that an Advanced Payment Tax (APT) should be implemented. Your Committee further proposes that the other processing fees (CUF, environmental levy, standard compliance and Customs) should remain at the port to ensure compliance and standards.

During the discussions, it was pointed out that there were ambiguities in the GCT Act, surrounding what constituted export services. As such, your Committee recommends the amendment of the GCT Act and the Regulations with respect to what constitutes export services in a bid to determine the applicable rate of GCT on goods and services supplied to non-residents.

In a bid to create a balance between the sectors operating in the economy, your Committee proposes that the Parliament considers abolishing the prohibition on a registered tax payer from claiming an input credit in respect of the GCT incurred on materials used in the construction of or repairs to any premises in relation to his taxable activity.

Your Committee believes that investors should be allowed to claim the input tax credit leading up to the start of their business, for any expense incurred in getting the business in operation until the investor is a registered tax payer. As such, we recommend for consideration and that the feasibility of an amendment of the of the GCT Act to ensure that the GCT incurred on expenses while undertaking activities preparatory to or necessary for the commencement of an operation in the making of taxable supplies should be recoverable by means of input credit, subject to meeting certain criteria be explored by the relevant authorities and being reviewed by the Tax Measures Committee.

The following proposals were made to your Committee during the deliberations, but your Committee is not in favour at this time:

- ✓ The GCT Turnover Threshold for goods to be increased for $3m to $5m.
- ✓ Suppliers of electricity claiming input credit in respect of GCT on their inputs.
- ✓ An amendment of the GCT Act to ensure that GCT incurred on staff-related expenses or other indirect costs should be recoverable by means of input credits
- ✓ Local general insurers to recover input credits in respect of GCT on general insurance claims and enable registered taxpayers to issue tax invoices to the insurers in respect of the insurance claims made.
- ✓ To allow contractors to carry forward the unused amount to subsequent year (s) of assessment, not exceeding five years.
- ✓ To abolish the contractor's levy and replace with a withholding of an Advance Tax Credit (of 2 – 3%) and extend to non-commercial statutory bodies for services rendered.
- ✓ To consider capital gains tax.

In relation to corporate income tax (CIT), your Committee recommends a reduction in the rate in line with the general rate of our regional and international competitors in a bid to enable higher levels of compliance. Also, we are of the view that the rate should not go below the rate for the personal income tax (PIT). In addition, majority of your Members are in favour of the re-introduction of a 10% withholding tax on dividends. However, there are others who are not in agreement with the recommendation.

There was the recommendation to consider the capping of deductible total executive remuneration in terms of Corporate Tax liabilities, but your Committee is not in agreement with the recommendation at this time.

Your Committee recommends that the individual income tax threshold be increased to $624,000 effective January 1, 2013.

Your Committee is in agreement with the proposal to harmonize the payroll tax base and regime consolidation, specifically with respect to amendments to the Education Tax Act to make assessable based on gross emoluments, prior to NIS deductions. Your Committee also recommends that a special report be prepared regarding the computations as well as the deductions which took place, for further discussion by Tax Measures Committee.

Regarding capital allowance and other deductibles, your Committee recommends a review and overhaul of the current capital allowances regime, in a bid to expand the regime to include other expenditure on intellectual property and other tangible assets and accelerated depreciation, in an effort to promote modern industries as well as productivity enhancing activities. Your Committee also recommends the carry-forward of net operating losses for ten (10) years and no carry-back. We also recommend that the capital allowance permitted on motor vehicles should be increased.

Your Committee recommends the current requirement imposed on companies to file an Asset Tax Return and pay an annual asset tax amount be abolished.

Your Committee is of the view that the objective of the reform is to consolidate the number of fees and charges at the port into a single fee (that is WTO compatible), so that this (amalgamation) will serve to simplify the port revenue system and efficiency in revenue administration. Your Committee recommends that any reform of the existing regime (port fees and charges) must be done with a view to bringing into compliance with the rules and regulations governing the application of such fees.

Your Committee recommends that the Additional Stamp Duty (ASD) should remain and that the environmental levy should be maintained on imports and applied to domestic activities.

In addition, your Committee recommends that the review of the motor vehicle license regime be completed in short order. In addition, we recommend that the property tax regime be reviewed in short order, so as to adjust the current threshold.

Your Committee recommends the creation of an Omnibus Tax Code and that the suggestions made to the Tax Measures Committee re the aforementioned Act, be reviewed and taken into account with the highest priority.

Additionally, your Committee advocates that the Government should urge the relevant authorities to examine the possibility of a Tax Credit or any other incentive, directed at productivity enhancement through research and development training

With respect to the tourism industry, your Committee advocates that investors who do not file their corporate income tax, should not benefit from the incentives under the Hotel & Incentives Act (HIA) or any other incentive. In addition, your Committee believes that consideration should be given to augment the contribution to the public purse from the tourism sector i.e. *utilizing GCT mechanism and other possible mechanisms as a means of securing a sustainable and augmented revenue inflow from the sector.*

Your Committee recommends that there should be administrative changes in relation to tax administration, to facilitate effective tax compliance. We suggest that a threshold should be established for the mandatory reporting of Third Party Information (TPI). Your Committee suggests that the process should include payments made for the services supplied, name of supplier, TRN, nature of services supplied and aggregate dollar amount. In addition, your Committee is of the view that the threshold should be flexible so that the Minister of Finance can amend when necessary.

Your Committee suggests that penalties should be reviewed and that appropriate mechanisms be in place to ensure more effective fulfillment of the taxpayers' obligations. Your Committee recommends that among the items to be considered by the Tax Authorities that:

- ✓ the list of tax offenders be published regularly, subject to undertaking careful due diligence
- ✓ the benefits of online filing should be expanded so as to enable taxpayers to check their entire tax account online (via secure websites) in order to facilitate reconciliation and ensure that tax records are up to date (e.g. to facilitate timely TCC renewal) with the purpose of building capacity
- ✓ instead of a minimum business tax as proposed in the Green Paper, there should be a mandatory requirement for all companies to file and that the penalties for non-filing be reviewed, so as to impose criminal penalties for non-filing
- ✓ the sanctions applicable to tax evaders should be reviewed with the intention of imposing visible criminal sanctions (including jail time) against large tax evaders (to make an example).

Your Committee recommends the provision of Taxpayer Education Services, which involves implementing public rulings (for both case rulings and Advisory Unit's rulings) through the Taxpayer Appeals Division.

6. ACKNOWLEDGEMENTS

Your Committee wishes to express gratitude to the representatives of the Tax Policy Unit and the Tax Administration of Jamaica (TAJ) from the Ministry of Finance and Planning and the various organizations and individuals who contributed to our deliberations. Thanks are also extended to the Clerk to the Houses and the staff of the Houses of Parliament for their administrative and other support.

Houses of Parliament
June 2012

Appendix I
Attendance
(4 Hearings & 5 Meetings)

	Present	**Absent**	**Apology**
Dr the Hon. Peter Phillips, Chairman	9	-	-
Hon. Anthony Hylton	4	5	4
Hon. Horace Dalley	6	3	2
Dr the Hon. Omar Davies	4	5	1
Hon. Dr Kenneth Wykeham McNeill	6	3	3
Mr Fitz Jackson	8	1	1
Mr Paul Buchanan	6	3	-
Mr Audley Shaw	3	6	5
Mr Karl Samuda, CD	9	-	-
Mr Edmund Bartlett	4	5	3

SIGNATURES

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Dr the Hon. Peter Phillips, Chairman

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Hon. Anthony Hylton

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Hon. Horace Dalley

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Dr the Hon. Omar Davies

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Hon. Dr Kenneth McNeill

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Mr Fitz Jackson

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Mr Paul Buchanan

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Mr Audley Shaw

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Mr Karl Samuda, CD

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Mr Edmund Bartlett

Tax Type	Green Paper	Submissions	Comments
GENERAL RECOMMENDATIONS	1. A three year tax reform programme (TRP): 2. A reduction in income tax rates and/or increase in the PIT threshold 3. A reduction in the GCT rate(s) and a widening of the GCT base 4. A simplification of the tax laws 5. A review and overhaul of the existing tax incentives and waivers 6. Compulsory filing of income tax returns 7. A reduction in the Common External Tariff 8. An advance tax (payable) on the importation of goods		
GENERAL CONSUMPTION TAX *[GCT]*	Reduce GCT standard rate to 15% and 12.5%: 1. Maintain Tourism GCT Rate at 10% and include tourism in the payment of the CAF 2. Maintain GCT on Oil Product Imports at 0% 3. Maintain the existing bauxite regime	a) Reduce the standard rate to 12.5% b) Retain the 25% rate of GCT on the supply of telephone services, phone cards and handsets and reduce towards the standard rate when fiscal space permits. c) Impose a special reduced standard rate of GCT on the principal agricultural inputs (even if zero-rated), namely animal feeds, fertilisers, herbicides, fungicides, plant growth, regulators, etc as opposed to exempting same), given that local manufacturers of these products could not then claim input credit, as well as to address the socio-economic and demographic profile of the agricultural sector since it is comprised mainly of small and subsistence. d) Apply the standard rate (12.5%) to electricity consumption over 300kwh leaving only the highest 5% of consumers to pay GCT on their electricity bills Commercial and industrial customers who are registered taxpayers for GCT purposes may fully recover GCT charged by way of input tax credit in respect of their taxable activities. 0% GCT on 300kwh and less.	

Tax Type	Green Paper	Submissions	Comments
		e) Elimination of non-standard rates (5%, 10%, 25%)[2] f) A gradual reduction from 17.5% to 15% is preferred at this time, then after evaluation may be able to go to 12.5% g) Removal of GCT on Electricity Consumption h) Remove GCT on sale of used Rent-a-Car i) Remove GCT on the printing of books done locally j) Remove GCT from books on CDs, including CDs affixed to books[3] and stand-alone book CDs k) Tourism GCT rate should be harmonized with the new standard GCT rate of 12.5% l) The Tourism sector should be treated as an export industry – *apply a rate 0%, worst case the rate should remain at 10*	
	Advance GCT: • Apply of 5% on all imported commercial goods *(not private individuals) (except for bauxite and petroleum)* • creditable against any type of tax after a period to be determined *(would require amendment of the GCT Act) (but not creditable against CAF)* • Consider "expensing" rather than making creditable against all other tax types then the revenue intake will be significantly lower and impact the extent to which the standard GCT rate can be reduced, or abolish the Advanced GCT and replace it with an Advance tax of 5% of CIF *(excluding bauxite and petroleum products)*	a) Abolish the advanced GCT and implement an advanced Payment Tax (ATP) which would replace CUF, Environmental Levy, Standard compliance and Custom's processing fee. b) Set off ATP against either income tax or GCT liabilities c) Retain Advanced GCT and apply it only to finish goods d) This charge is at variance with the WTO Rules as it discriminates against imports. It could also result in added costs for the manufacturing sector, as items such as capital goods and raw materials, which are excluded under the current regime, will now be chargeable.	

[2] GCT Rates: 0% - Zero-rated; 5% - Advance GCT payable on the importation of goods by Registered taxpayers; 10% - Electricity and Tourism revenue; 25% - Telephone services and instruments

[3] *This will depend on the main item being supplied. If the primary item is a printed book with the CD as support, then there is no GCT. However, if the primary item is the CD then the full cost of the package is subject to GCT*

Tax Type	Green Paper	Submissions	Comments
	Widen the GCT base *(reducing the number of items which are exempted or zero-rated);* Reduce GCT Sheltered Exempt Supplies from 41.7% • Food items to considered for possible taxation (some of those currently exempt) • Accompanying measures to enhance social expenditure, if this is to occur *Note: The level of reduction impacts the extent to which the Standard GCT rate can be reduced* Reduce zero-rated sales as a percentage of total supplies	a) Not wise to apply the GCT rate to the current list zero-rated items all at once. This should be done gradually b) Reduce the number of zero-rated & exempt supplies – *including all foods such as: processed and unprocessed; Books; Energy saving devices and related items and Construction services* c) Removal of GCT zero-rating from motor vehicle incentives offered to civil servants *(20% concession)* d) GoJ would have to pay GCT if zero-rated status is removed *e)* If a special concession is to be made in respect of some agricultural products, then it is preferable to apply a reduced rate of GCT on these items *(even if zero-rated)* as opposed to exempting same from GCT (which disadvantages local manufacturers of these products) – *Items include: animal feeds, fertilisers, herbicides, fungicides, plant growth regulators, nematicides, rodenticides, veterinary preparations and molluscides*	
	Consider full GCT Withholding on Government Purchases as a long term goal to reflect the true cost of Gov't doing its business and increase tax compliance by suppliers to the public sector	a) General Government *(Central Government + Public Bodies, incl. Departments and Agencies)* become subject to GCT *(i.e. no zero-rating)*, the Government would have to, on both accounts, withhold the GCT payment and the suppliers would have to claim credit	
	Consider the implementation of partial GCT Withholding on Large Taxpayers' Purchases *(Feasibility to be determined as well as determination of system requirements to credit taxpayers promptly)*	a) If the Government introduces the mandatory filing of a return of third party information (TPI) this should include payments made in excess of J$200,000 per annum for services supplied; name of supplier, TRN, nature of services supplied and aggregate dollar amount there would be no need for partial withholding on large taxpayers' purchases. b) The implementation of withholding GCT on large taxpayers' purchases can have serious cash flow problem	

Tax Type	Green Paper	Submissions	Comments
	Other Recommendations not specifically addressed in the Green Paper	a) Increase in GCT Turnover Threshold for Goods from J$3m to J$5m and maintain J$3m for the supply of services. Where persons supply both, either the respective or aggregate threshold of J$5m applies b) Amend the GCT Act and Regulations with respect to what constitutes an *exported service* for VAT purposes. c) Abolish the ***GCT on imported services*** entirely or confine to services physically performed within Jamaica by non-resident suppliers d) Abolish prohibition on (a) a registered taxpayer from claiming an input credit in respect of GCT incurred on materials used in the construction of or repairs to any premises in relation to his taxable activity; (b) suppliers of electricity claiming input credits in respect of GCT on their inputs. It is asserted that the above prohibitions are inconsistent with basic GCT principles e) Amend the GCT Act to ensure that GCT incurred on expenses while undertaking activities preparatory to or necessary for the commencement of operations and the making of taxable supplies should be recoverable by means of input credit *(subject to meeting certain criteria)* *f)* Amend the GCT Act to ensure that GCT incurred on staff-related expenses or other indirect costs should be recoverable by means of input credit *(subject to meeting certain criteria)* g) Permit local general insurers to recover input credits in respect of GCT on general insurance claims and enable registered taxpayers to issue tax invoices to these insurers in respect of insurance claims made	
Company Income Tax [CIT]	Reduce the statutory CIT rate to 30% then to 25%	a) Reduce the standard rate of 33 1/3% to 15% for non-regulated companies. Regulated Companies remain at 33 1/3% - *no adjustment is being proposed to the Building Societies tax regime (30% CIT) or life insurance tax regime (15% tax on*	

Tax Type	Green Paper	Submissions	Comments
		investment income plus 3% premium tax on gross premiums) Once revenue performance has been demonstrated and associated fiscal and economic growth targets met, the rate applied to the "regulated entities could then be reduced on a phased basis over six years of assessment *(30%-->27%-->24%-->21%-->18%-->15%)* b) In addition to the above, for companied paying 15% CIT any dividend paid should attract a final tax of 10% *c)* Reduce the rate from 33.33% to 25% *-it is felt that "the rate is too high and makes business uncompetitive"* d) Remove all CIT differential rates *(currently CIT rates are 33 1/3%, 30% for Building Societies, 15% of Insurance and an insurance premium tax of 3%)* e) There should be a gradual reduction in the rate to 30%, then 25% f) The CIT rate is high and uncompetitive, compared to taxes in CARICOM g) Lower the corporate rate & equate it to the highest personal income tax rate h) Introduce a nominal gross revenue tax (GRT) to replace corporate income tax (CIT) for professional services- lawyers, accountants, consultants, telecommunication etc	
Individual Income Tax (PIT & PAYE)	1. Increase the threshold to $507,000 and $624,000 effective Jan. 1, 2012 and Jan.1, 2014; or 2. Lower the rate from 25%	a) Reform of the PIT Regime such that there is no tax-free threshold and the rate is reduced to 15% on income up to J$1,123,200 p.a. There will be an income tax exemption limit for those who earn less than J$499,200 per annum. For those who earn >J4499,200 but <J$1,123,200, there are two choices: i. 15% of their income from the first dollar; or ii. 25% of the difference between their income and the exemption limit iii. The tax threshold which has been increased over the years and was further projected contained odd numbers. As such it is suggested that it be carefully reviewed and rounded to $450,000.00 for simplicity and transparency b) Indexation of the Tax Threshold c) Increase the threshold and consider tying the increase of same to the annual inflation rate	

Tax Type	Green Paper	Submissions	Comments
		d) Tourism sector: would support increasing the PIT to at least $850,000 particularly in light of the likely increase in the number of items subject to GCT e) Implement a progressive income tax regime f) Abolish PIT and implement a broad base GCT with a low rate g) Increase the threshold is a good move. This will create greater economic activity. This would signify a move towards indirect taxation and allows for money to stay longer in the economy h) Eliminate income tax and move fully towards indirect taxation i) Re-introduction of annual tax credits for residential mortgages paid under PIT j) Re-introduction of annual tax credits for education, health k) Introduction of provisions for dependent care under PIT l) Retain deductions allowable under PIT for Travelling, Uniforms and Laundry Allowances, Gratuities for hotel workers	
	Amalgamate the education tax with the PIT and eliminate one of the payroll taxes immediately	a) Abolish education tax b) Amalgamate education tax with personal income tax. c) Harmonization of Payroll Tax Base and Regime Consolidation, specifically with respect to amendments to the Education Tax Act to make assessable based on gross emoluments, prior to NIS deductions. This allows for all (EDT, NIS, NHT and HEART contributions) to be computed in the same manner. d) Apply statutory deductions only to employment income (emoluments) and income derived from a trade, profession or business (self-employed) and not to investment income, approved pension income or on income of individuals aged 65 and over e) Exempt from taxation any provision by employers of qualifying group health insurance coverage and corresponding tax deduction for the self-employed f) Exempt from taxation any provision by employers of group permanent health benefits insurance policies and post-retirement health insurance policies g) Review compliance mechanisms to ensure taxation is paid in respect of the highly mobile activities h) Abolish Civil Service Family Benefits Scheme (CSFBS) contributions imposed on certain public sector employees (to the extent that the insurance component is minimal	

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	Additionally - NIS Payroll Taxes/Statutory Deductions:-	a) Reform of the National Insurance Scheme (NIS) such that the income ceiling of J$1,000,000 is removed and a lower rate of 1.5% paid by both employees and employers and 3% by self-employed individuals (as opposed to 2.5% each and 5%, respectively)	
General Income Tax	<u>CAPITAL ALLOWANCE & Other Deductibles</u> Review the existing capital allowance regime. • Increase capital allowance for motor cars from $400 per annum • Include, in the revised capital allowance regime, accelerated depreciation, • immediate write-off once the balance reaches a certain amount • Give capital allowance on expenditure for intellectual property and other intangible assets • Remove the annual capital allowance on buildings and offer a one-time initial allowance	a) Review and overhaul current capital allowances regime b) Increase the maximum allowable tax write off for motor vehicles to the J$ equivalent of US$35,000 c) Expand the capital allowance regime to include other expenditure on intellectual property and other intangible assets d) Allow Carry-forward of net operating losses for 15 years and permit carry-back for 3 years e) The capping of deductible total executive remuneration in terms of Corporate Tax liabilities	
Contractor's Levy	Allow contractors to carry forward the unused amount to	a) Abolish contractor's levy and replace with a withholding of an Advance Tax Credit (of 2-3%) and extend to GOJ payments as well as non-commercial statutory bodies	

Tax Type	Green Paper	Submissions	Comments
	subsequent year(s) of assessment, not exceeding five years	for services rendered	
Asset Tax	Eliminate Asset Tax imposed on the value of assets owned by companies as it is a nuisance tax. *(Consider replacing with a minimum business tax)*	a) Abolish the current requirement imposed on companies to file an Asset Tax Return and pay an annual asset tax amount *<u>(as the asset tax is a nuisance tax and does not provide any meaningful revenue to the Consolidated Fund)</u>*	
MINIMUM BUSINESS TAX [MBT]	Implement a minimum business tax • To ensure that every business pays a direct tax • Could be used to replace trade taxes, asset tax • Businesses making losses and on those tax holidays would have to pay	a) ALGAJ is not in agreement with the removal of trade license to be replaced by a MBT. However, would agree to such if taxes/fees payable under the Trade & Business Act would merge with the MBT and the funds go to Local Government b) Impose a minimum income tax (MIT) on companies to encourage persons to conduct formally structured business activities in a responsible manner. The amount to be paid is the higher of: • 0.5% of gross turnover/revenues (as defined); or • J$100,000 • MIT should not be payable by: (a) companies engaged in 'specified categories' which are subject to income tax at the higher CIT rate of 33 1/1%' or (b) companies whose entire income is exempt from income tax (i.e. charitable organisations) c) Implement a ***<u>flat tax</u>*** of $30,000 per taxpayer for certain sectors – instead of the proposed minimum business tax d) Implement a ***<u>flat tax</u>*** for micro businesses	

Tax Type	Green Paper	Submissions	Comments
Common External Tariff *(CET – custom duty*	*Reduce the Common External Tariff rates* • Reduce highest tariff rates to 20% if CAF is 5% • Reduce highest tariff rates to 25% if CAF is 3%	a) Review first to see the feasibility in terms of WTO commitments, original intent of imposition of measures and scope for simplification b) The proposed reform of the CET requires approval at the regional level c) The proposal as is runs counter to the rules governing the establishment and structure of a Customs Union which is what CARICOM aspires to be. Secondly the proposal does not take into account the possible negative effects on the sensitive manufacturing and agricultural sectors d) Agriculture is still considered a sensitive sector in the World Trade Organization. Liberalization, through reduction of tariffs and subsidies, has been one of the most difficult issues to negotiate. The GoJ should consider that many countries, in the interest of food security and economic, political and military considerations, still maintain high tariffs and subsidies in the agricultural sector e) Reduction of the CET, Jamaica's applied tariff, requires that the suspension and alteration of the CET be approved by the CARICOM Council for Trade and Economic Development (COTED), in accordance with Articles 82 and 83 of the Revised Treaty of Chaguaramas. The reduction of the CET would need to be undertaken as a regional initiative. In COTED, there is now a question about whether the unilateral alteration of the CET can be accommodated and a legal opinion is awaited f) For the most part, Jamaica cannot unilaterally alter the CET. Request for amendment of the CET must be cleared by CARICOM at the level of the COTED g) **Reduce tariff rate to 20%:** will in all likelihood have ***deleterious consequences*** for both the dairy and beef sub sectors. Also it poses serious risks to the 'sensitive' Poultry Sector and in turn the Agricultural Sector and Jamaica at large h) Remove 20% customs duty concession for public sector workers, including MPs, and members of statutory boards	
Custom Administrative Fee (CAF)	1. Apply a custom administrative fee (at the port) → 3% to 5% This is to replace: • Custom user fee	a) To implement the CAF as proposed will certainly raise red flags and bring into sharp focus questions as to the legality of the fee, both locally and internationally; Article VIII of the WTO GATT 1994 and Article 87 and 90 of the RTC prescribe the complexion of a fee	

Tax Type	Green Paper	Submissions	Comments
	• Environmental levy • Standard compliance fee • Custom processing fee • Advanced GCT Additional Stamp Duty – to remain	b) The CAF will impact the cattle sector by the extent to which it mitigates local competitive disadvantage resulting from a lowering of tariffs c) Not in support of this, as this would be a tax and not a fee d) An improvement over the current system which requires multiple imposts; not in support of the 5% rate; should be used to offset CIT payment e) This fee could be challenged under the WTO Rules and may well be at variance with Articles 87 and 90 of the Treaty of Chaguaramas f) Bad move to ask persons to pay tax before they are earned. It is bad incentive for investment and negative for the multiplier effect g) Concern that the imposition of this charge on basic food and inputs for production. It will have a concretionary effect. Consideration could be given to a 3% recoverable against other business tax h) This fee should take account of Article VIII (Fees and Formalities) of the WTO GATT 1994 and Articles 87 and 90 of the Revised Treaty of Chaguaramas. The Ministry of Finance has to take account of the dispute settlement measures available to local stakeholders in cases of non-compliance with Treaty obligations i) Implement an **Advanced Payment Tax (APT)** instead of the CAF	
Advance Payment Tax (APT)	The recommendation is to replace CAF with APT	a) Abolish CUF, Environmental Levy (EL) and Standards Compliance Fee (SCF) and advanced GCT and replace with ***Advanced Tax Payment (ATP)*** regime with the exception of petroleum products • Maintain Additional Stamp Duty (ASD) separately. • Charge on imports by charitable organizations, educational and healthcare institutions and reimburse by way of a tax credit or refund mechanism (i.e. all are liable at the port). • ATP would be 3% of the CIF value of imports by Authorised Economic Operators (AEOs) and 7.5% of the CIF value of imports in any other instance. • ATP in excess of a minimum US$250 per import entry would be creditable against the importer's own income tax or GCT liabilities and any excess would be refundable.	

Tax Type	Green Paper	Submissions	Comments
Additional Stamp Duty (ASD)	The ASD should remain	a) Protective ASD should remain in the short run b) Remove any ASD from Capital goods c) Remove any ASD which may be on critical productive inputs d) Apply 86% aggregate duty to fluid milk and low-end beef cuts (except liver and entrails), through retention of ASD e) Under the CARIFORUM-European Union Economic Partnership Agreement (EPA), there is a commitment to eliminate ODCs[4] after a specific period of time [Article II & 16:3]. In view of this commitment, it is clear that ASD will not be available as a legitimate tool in the long term. There is likely to be a similar requirement in the agreement being negotiated with Canada. ASD also cannot be charged on goods imported from CARICOM countries f) An assessment of the respective items would have to be undertaken for a determination to be made as to whether the combination of the CET and ASD will result in rates in excess of the binding commitment g) The application of an ASD where the tariff has been removed however only serves to complicate the system. The GoJ must consider the added complexity in the reform process. h) The stamp duty which provides rates of up to 260% on certain agricultural products, should be retained, as it provides some measure of protection for these products i) Other duties and charges (ODCs), such as Additional Stamp Duty (ASD), are considered WTO-compatible if they were included in Members' schedules of tariff concessions at the date of the Agreement, 1994. New ODCs may not be added to the schedule nor can those already notified be increased. The Ministry of Finance should take account of the WTO Understanding on Article II of GATT 1994	

[4] ODCs – Other duties & charges

Tax Type	Green Paper	Submissions	Comments
Environmental Levy (EL)	Abolish the EL and replace with CAF	a) Should be abolished b) There are doubts about the legality of the imposition of the EL - re WTO & CARICOM c) The current EL should not form part of the new CAF. There should be a dedicated tax, which should be used to address environmental issues	
General Border Tax		a) Duties and taxes on vehicles should discourage vehicles with low fuel efficiency b) It is proposed that customs duty and additional stamp duty (ASD) should generally be relieved in full on non-consumer goods imported by registered tax compliant businesses engaged in the production of goods or the supply of services	
Special Consumption Tax (SCT)		a) increase SCT from 10% to 15% on automotive fuel – to replace the 5% CUF and 0.5% EL b) Increase SCT on motor vehicles to replace the CUF & EL c) Increase rates on luxury/large vehicles d) Impose a single uniform rate on alcoholic beverages e) Withdrawal of the SCT incentives given to hotel on the acquisition of alcoholic beverages f) Alcoholic products: apply a single ad valorem rate to all products. Remove the current specific rate g) Increase the current rates by 5 percentage points payable on the importation of vehicles by individuals h) Index and fix SCT rates in line with inflation – including on cooking gas fuel oil, kerosene, etc i) Review current level of SCT charged on cigarettes to determine whether it is consistent with current policy and prevailing international best practice	

Tax Type	Green Paper	Submissions	Comments
		j) Increase the ad valorem SCT on the importation of motor vehicles at a rate that maintains the current import duty structure and contributes to sufficiency of revenue given the revenue-reducing outcomes of the reduction in the standard rate of GCT from 17.5% to 12.5%; and the proposed abolition of the Customs User Fee (CUF) and the EL k) Modify the tax regime on alcoholic beverages and apply a single uniform reduced SCT rate computed at a prescribed dollar value per litre of pure alcohol content that is indexed to inflation annually; increase customs duty and/or additional stamp duty to a level not exceeding the 20%, especially to protect against cheap alcohol imports (dumping); and apply a standard form of taxation across the board by withdrawing the current concession granted to the tourism sector	
Other Tax Type – ***Not addressed by the GP***	Motor Vehicle Licence	a) Increase Motor Vehicle License Fees for motor cars (exceeding 2999 cc and trucks exceeding 2,000 kg) to target higher income individuals b) Increase annual fee on luxury vehicles by 50% c) increase motor vehicle fees, however consideration should be given to the treatment of vehicles older than seven (7) years as the vehicles have lost approximately 80% of their values	
	Property Tax	a) Retain current base which imposes the tax based on the unimproved value of land b) Increase the rate to 1% or 2% dependent on the feasibility of completing the valuation process that is currently underway c) Adjust the current threshold upwards to $400,000 and adjust the flat rate applicable to lands that fall below this value threshold to J$2,000	

Tax Type	Green Paper	Submissions	Comments
	Capital Gain	a) Imposition of a limited capital gains tax by 2013 – in lieu of transfer tax	
	Gross Revenue Tax	a) Introduction of nominal gross revenue tax (GRT) to replace corporate income tax (CIT) for professional services- lawyers, accountants, consultants, telecommunication etc b) In relation to the Gross Revenue Tax: it is recommended that GRT be applied to: i. All sale of foreign exchange with the taxes applied to the NIR or Capital Development fund. ii. An initial GRT 0.5% of the gross sale proceeds, with a minimum tax of U$$0.05 on all transaction iii. All fees and commission incomes in banks and licensed financial institutions and other licensed institutions (a rate of 5% is being recommended). iv. Telecommunication Providers pay GRT opposed to corporate taxes; v. All transaction of shares (excluding IPOs) with taxes paid by the seller the proceeds going to the CDF (a GRT of 2 cent per share to be paid by the seller). vi. Hotels pay GRT opposed to corporate taxes; vii. All Professionals *(whether as individuals or body corporate)* pay GRT, with the client able to claim for a tax refund on the expenditure	
	Flat tax	a) Implement a flat tax of $30,000 per taxpayer for certain sectors – instead of the proposed minimum business tax. b) Implement a flat tax for micro businesses	
Tax Incentives & Waivers	Create an omnibus Tax Code / Tax Incentive Act. • Objective is to bring all legislations dealing with incentives and waivers under one umbrella • The law should state the types of waivers, conditions and if	a) Most persons indicated that discretionary waivers should be reduced or eliminated b) In some instances, where the discretionary waiver facility is being encouraged, these (waivers) should be converted into legislated incentives c) Replacement of a sectoral-incentive based regime with a competitive general tax regime that supports and stimulates productive activity	

Tax Type	Green Paper	Submissions	Comments
	possible a cap on how much can be waived. This should include the process for waiving taxes	d) Cessation of approval of new incentives under the Hotel/Resort Cottage/Approved Farmer regimes and Free Zone/EIEA regimes in respect of goods producing activities e) Reduce the Income Tax relief offered to new listing on the JJSE to 5 years f) Existing companies listed on the JJSE should continue to enjoy tax relief granted until they are expired g) Cessation of other sector-driven direct/indirect tax incentives and waivers h) A Relief's Monitoring & Enforcement Board should be established with representation from the private and public sectors to make recommendations to the Minister of Finance in respect of any and all applications for relief that may arise within the reformed tax regime i) Introduce performance based incentives j) Introduce tax credit for pioneer/national significant project k) Retain Urban renewal & rural development l) Targeted incentives for public infrastructure project, investment in arts entertainment, sports and cultural activities m) Investment in original scientific research, seed/venture capital investment and shipping aircraft registry n) Direct tax incentive program for renewable /alternate energy solutions o) The protective and sensitive sectors submitted that the incentives should remain, and are seeking additional incentives p) Some sectors which currently do not enjoy *sector-specific incentive,* are asking for such. This includes setting an annual amount to be used as waivers for the specific sectors q) There are support for the consolidation of the various tax provisions under an ***Omnibus Incentive Act***, that allows for benefits to be given for activities deemed crucial to national strategic objectives *e.g.* MSMEs, ICT, pioneer industries, creative industries, urban renewal, education, energy, etc. r) Criteria that could be factored in the incentive package are: • Employment	

Tax Type	Green Paper	Submissions	Comments
		• Intra industry linkages • Import Substitution • Training s) Apply a tax rate of 5-10% to replace existing tax holidays t) Consideration of tax credits relative to venture capital facilities, training, hiring of labour, start-ups and a flat tax rate for micro businesses u) Creation of a tax and incentive framework to facilitate Venture Capital Investment v) The introduction of tradable tax credits with particular reference to start ups in emerging growth areas w) Allow Carry-forward of net operating losses for 15 years and permit carry-back for 3 years x) Introduction of a Research and Development (R&D) tax credit y) Re-introduction of annual tax credits for residential mortgages paid under PIT z) Re-introduction of annual tax credits for education, health aa) Introduction of provisions for dependent care under PIT bb) Retain deductions allowable under PIT for Travelling, Uniforms and Laundry Allowances, Gratuities for hotel workers cc) Establishment of a waiver policy for Local Authorities dd) Development of a tradable renewable energy tax credit mechanism ee) Agriculture continues to enjoy a number of concessions under the current GCT regime. It is therefore ***necessary to effectively lobby*** to ensure that the gains from a reduced GCT rate are not lost by removal of any existing concessions ff) **CIT**: tax free Incentive should remain (tax holiday) gg) To ensure certainty, legislate incentives hh) Total duty payable on importation of vehicles for the Rent-A-Car sector: 10% to 20% ii) Consideration of a monthly of $100,000 should be given to the productive sector, including MSME jj) Support the consolidation of the various tax incentives provisions under an Omnibus Incentive Act kk) Should consider incentives for MSMEs, ICT, pioneer industries, creative industries, urban renewal, education, energy, etc.	

Tax Type	Green Paper	Submissions	Comments
		ll) Endorsement for consideration of tax credits relative to venture capital facilities, training, hiring of labour, start-ups and a flat tax rate for micro businesses mm) Other reforms in relation to capital allowances are supported-increasing the threshold to more meaningful levels, relief for intellectual property, abolition of annual allowances on buildings and the grant of a one-time allowance nn) Tourism sector: the current incentives should remain and consideration given to treat the sector as one of export (including GCT rate 0%) oo) The current 20% duty concession regime should remain pp) All incentives currently offered to the Junior Market should remain qq) Total removal of discretionary waivers and the elimination of all concessions and the retrenchment of existing ones when they expire rr) **Special PAYE tax credit to stimulate new job creation:** With a view to stimulating the creation of new jobs it is proposed to establish a tax credit incentive scheme for employers whereby a non-refundable tax credit shall be granted at the rate of 25% applied to a base as per determine ss) Implement a direct tax incentive programme for renewable energy solutions tt) Oppose to the power of the Minister and civil servants to have powers to grant waivers, this should be tasked to an independent commission uu) No company should be allowed to receive waivers above $100M. In 2010 one company received waiver $1.5B vv) The poultry industry should be treated as a sensitive industry and be exempted from the reduced CET proposal. The Government of Jamaica should keep the tariff on poultry at the current level ww) The biggest problem with the use of tax incentives is that the revenue losses associated with concessions necessitate elevated tax rates which affect economic activity across the breadth of the Jamaican economy xx) The fundamental point that must be appreciated is that while it may provide an incentive for the targeted recipient, *whenever* a tax concession is made it is simultaneously providing a disincentive for the rest of the economy yy) provide incentives the following: • BPO & Manufacturing	

Tax Type	Green Paper	Submissions	Comments
		• Tourism (Accommodations) • Health & Wellness Tourism • For Film • Agriculture • Mining and Energy	
	INCENTIVES – *INTERNATIONAL AGREEMENT*	a) Some incentives have been ruled under the Agreement on Subsidies and Countervailing Measures (ASCM) of the WTO as prohibited export subsidies. For termination by 2015 – the Export Industry Encouragement Act, the Free Zones Act, the Industrial Incentive (Factory Construction Act) and the Foreign Sales Corporation Act b) Identify new incentives c) GoJ to implement signed international free trade agreements which seek to reduce duties on some specified goods. Some agreements: EPA, Jamaica & Costa Rica; Jamaica & Cuba d) Jamaica needs to re-examine its membership in CARICOM as there is not a level playing field. Government should consider imposing duties on imports from other CARICOM countries Identify with a view to implementing opportunities to use the tax regime to stimulate investment in and development of the arts, entertainment, sports and cultural initiatives	
Major Tax Laws	Simplify the major tax laws	a) Develop and implement a process whereby draft tax legislation is tabled, issued for comment (i.e. in Bill form) and debated in Parliament before finalisation and passing of same in Parliament b) Undertake a review of Jamaica's various withholding tax provisions to assess their	

Tax Type	Green Paper	Submissions	Comments
		scope, effectiveness and prospects for enhancement c) Undertake a review of Jamaica's various withholding tax provisions to assess their scope, effectiveness and prospects for enhancement d) Review and amend the meaning of "prescribed persons" under Section 31A of the Income Tax Act e) Review Jamaica's tax laws to ensure that the tax treatment of complex financial instruments and transactions broadly mirror their commercial substance f) Review the Companies Act to assess the extent to which Jamaica's current tax regime presents an obstacle to undertaking activities facilitated by the Companies Act g) Review international best practices concerning transfer pricing rules and methodologies and assess how these may be applied in an Jamaican context in order to preserve and protect the tax base h) Review existing provisions dealing with tax losses incurred in incentive or agricultural activities Identify with a view to implementing opportunities to use the tax regime to stimulate investment in and development of the arts, entertainment, sports and cultural initiatives i) Curtail/Limit the use of the Provisional Collection of Taxes Act as a mechanism for introducing tax legislation j) Overhaul use of Jamaica Gazette to publish tax laws, Ministerial orders, etc such that these are properly sequenced, in chronological order k) Make all new tax-related Acts, Regulations, Orders, etc available on the MoF's website, in pdf form, within three working days of being signed into law	
	Compulsory filing: It should be mandatory that every resident of	a) Strengthen processing and validation procedures at the time Returns are filed in order to minimize errors on data input and identify faulty returns at time of filing	

Tax Type	Green Paper	Submissions	Comments
	Jamaica files an Income Tax Return a) Effective FY 2011, every person who is regarded as a professional will be required to file a PIT return, whether that person is self employed or not. b) All business, irrespective of losses - should be required to file an Income Tax return. Currently the Act does not require a loss making entity to file a return, as no tax is payable. c) If accepted, by FY 2014 all residents will be required to file an Income Tax Return	b) Require all locally registered companies (both locally incorporated and local branches of overseas companies) to automatically file a CIT return annually (irrespective of whether the company is liable to pay income tax). • This ***automatic filing requirement*** should be extended to: (i) directors and shareholders of such companies (presumably subject to certain practical exceptions (e.g. shareholders of publicly traded companies); and (ii) individuals engaged in a trade, profession or business. • This will facilitate important data capture/quantification with regard to those benefitting from income tax exemption or incentive. • Institute fixed filing penalties for failure to file income tax returns by the due date c) Design and implement a Unified Tax Return (UTR) to facilitate monthly filing and payment of GCT data (including imported services), payroll data (for employers) and withholding tax data • Implement a single filing date of 25th of the following month • Permit quarterly filing for small taxpayers (determined by the same criteria as a small company is defined under the Companies Act) • Permit consolidated UTR filing by Groups subject to receiving authorization to do so by TAJ • Stagger annual Income Tax filing deadline for companies such that the deadline is based on the an agreed statutory basis period and no more than six (6) months after the end of the company's basis period	
	Reform/Change the method of payment-on-account: the tax code should state that where taxpayers are in default and thus incur charges, payments made on account for an existing debt should first pay, interest, then surcharge, then penalty, then principal tax. Interest should be simple interest and computed only on the principal tax. Have a fixed framework where all	a) Overhaul the interest and penalties regime such that interest is only levied on a **simple interest** basis and reduced to levels that are aligned to market rates (to reflect the time value of money) b) Implement a Compliance Incentive Programme (CIP) which includes full relief from penalties on taxes due and payable within the four years prior to the	

Tax Type	Green Paper	Submissions	Comments
	arrangements to pay have an instalment plan that will include interest and tax.	implementation of the proposed tax reform, subject to full and complete declarations (without this condition, benefits would be withdrawn) c) The penalty regime should be referenced to: the nature of the breach; the materiality of the breach, and the number of breaches. d) Interest shall be calculated at 10% of outstanding amounts, on amounts outside of the prescribed time frame above and in the vent that the taxpayer decides to settle outstanding obligations under the CIP by means of a payment plan (maximum of three years) e) Penalties should be fair and commensurate with offences committed f) Introduce facility for taxpayer to "express doubt" over tax treatment when filing. This should not attract penalties/interest as a result	
	Set off against tax type (automatic transfer of funds from one tax type to pay another)	a) Amend legislation to facilitate set-off between various taxes and establish a clear procedure for implementing same	
	Strengthen enforcement through amendments of the penal provisions of the relevant Acts and/or through, for example, an overhaul of S.72 of the Income Tax Act (ITA) and the provisions for forced GCT registration under the GCT Act	a) Develop additional capacity to enforce withholding obligations b) Publish regular lists of tax offenders (subject to undertaking careful due diligence and materiality threshold c) Enable taxpayers to check their entire tax account online (via secure website) in order to facilitate reconciliation and ensure that tax records are up to date (e.g. to facilitate timely TCC renewal) d) Impose criminal penalties for non-filing e) Impose visible criminal sanctions (including jail time) against large tax evaders (to make an example) f) Review arrangements/procedures for seizing property and using bailiffs, etc g) Explore the scope for applying the "polluter pays" principle to the tax regime (sounds like a Pigouvian tax) h) Implement a Compliance Incentive Programme (CIP) which includes full relief from	

Tax Type	Green Paper	Submissions	Comments
		penalties on taxes due and payable within the four years prior to the implementation of the proposed tax reform, subject to full and complete declarations (without this condition, benefits would be withdrawn i) The penalty regime should be referenced to: the nature of the breach; the materiality of the breach, and the number of breaches j) Interest shall be calculated at 10% of outstanding amounts, on amounts outside of the prescribed time frame above and in the vent that the taxpayer decides to settle outstanding obligations under the CIP by means of a payment plan (maximum of three years) k) Penalties should be fair and commensurate with offences committed l) Introduce facility for taxpayer to "express doubt" over tax treatment when filing. This should not attract penalties/interest as a result m) Write off all old tax balances (pre-2001), along with all associated interest and penalties, that were carried over from the old system to ICTAS n) Give TAJ the authority to write-off bad debts where it is clear that they are not recoverable (within a prescribed framework	
Administrative	Provision of Taxpayer Education Services: • Implement public rulings (for both case rulings and the Advisory Unit's rulings) through the new Taxpayer Appeals Division	a) Increase taxpayer education and awareness through a variety of publications e.g. taxpayer charter of rights, code of practice for revenue audits, assessments and objections, etc b) Document and publish all policies/procedures/documentary requirements to be adhered to by the public in transacting business on taxation-related matters c) Publish formal binding rulings by JTA on technical tax matters (subject to sanitisation for confidentiality purposes	
	Others	a) Provide Tax Administration Jamaica (TAJ) with unfettered access, across General Government, to data needed to properly administer the tax laws	

Tax Type	Green Paper	Submissions	Comments
		b) Waive fees (barriers) charged be executive agencies for access to data c) Streamline the registration process to facilitate single registration for all taxes (income tax, GCT, payroll taxes, etc) d) Implement aggressive registration surveys and drives, link and cross-check with other sources (e.g. the Companies/Business Names Register, statutory registration schemes, professional associations telephone directory, etc) e) Assign a JTA official to the Companies Office on a full-time basis f) Institute the requirement for a tax roll number to be included in the sale documentation to facilitate cross-checking of property valuations g) Ensure that a certificate of property tax paid is presented as part of documentation required for stamping	