

**MINISTRY PAPER NO. 32/2012**

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**REVENUE MEASURES FOR  
FINANCIAL YEAR 2012/2013**

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**24<sup>th</sup> MAY 2012**

**Ministry of Finance and Planning**

**REVENUE MEASURES – FY 2012/2013**

1. This Honourable House is being requested to take note of the following revenue measures for the Fiscal Year 2012/2013. The Honourable House is being asked to note that the revenue measures are predicated on the essential tenets of the tax reform and seeks to provide for a reduction of rates and broadened base, whilst ensuring revenue adequacy given the current fiscal constraints.

2. **Reduction in the Standard Rate of General Consumption Tax (GCT) from 17.5% to 16.5%**

a) In keeping with GOJ commitment to the tax reform and ensuring a reduction of rates, the standard rate of GCT payable in respect to taxable goods and services will be reduced by one percentage point this year.

**Estimated Revenue Loss \$2.4 billion. The effective date for implementation is June 1, 2012.**

3. **Partially Widen the GCT Base**

a) In an effort to broaden the tax base and reduce the administrative issues being experienced, the items listed as exempt/zero-rated will be reduced. See table 1 below for exempt/zero-rated items.

b) It is proposed that items listed in Table 2 become taxable at the standard rate as at 1<sup>st</sup> June 2012.

**Estimated Revenue Gain J\$4.2 billion. The effective date for implementation is June 1, 2012.**

**Table 1: Goods Remaining Exempt/Zero-Rated (Not Taxable)**

**LIST OF GOODS TO REMAIN EXEMPT/ZERO-RATED FROM GENERAL CONSUMPTION TAX (GCT)**

<b>GCT Free Code</b>	<b>Item Description</b>
31.01	Travel Tickets for International Travel
31.06	Chicken
31.07	Milk ( excluding flavoured milk, milk based products ; condensed milk and milk substitute)
31.08	Cornmeal and counter-flour; (Unprocessed) corn, soya meal, wheat
31.13	Bread; bullas, and water crackers(unsalted )
31.11	Canned sardines, herrings and mackerel.
31.12	Infant Formula
31.14	Rice
31.15	Sugar (brown)
31.17	Salt
31.21	Baking Flour in bags of not less than 45.359 kg
31.26	Cooking Oil (excluding olive oil; all cooking oil sprays)
31.32	Fish, cock and noodle soup, in aluminium sachets.
31.42	School uniform and school bags
31.45	Sanitary Towels & Tampons
31.47	Solar water heaters specified under tariff heading no 8419.1910 and 8419.1920
31.48	Photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels specified under tariff no. 8541.40
31.53	Fertilizers of subheadings 3101.00 to 3105.00 (excluding subheading 3102.10), herbicides, fungicides, plant growth regulators, nematocides, rodenticides, veterinary preparation and molluscides.
31.54	Insecticides of heading Tariff Heading No. 38.08. intended for use exclusively in agriculture.
31.55	Drugs specified in the Fourth Schedule (List Four Drugs) to the Food and Drugs Regulations, 1975
31.56	Diagnostic reagents used for testing of dextrose in the blood and glucose, protein, ketones and pH in the urine.
31.57	Contraceptive devices and substances.
31.59	Disposable diapers for the incontinent
31.6	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 for the handicapped, prescribed eye-glasses and contact lenses including Parts and accessories for any of the items (31.61)

**LIST OF GOODS TO REMAIN EXEMPT/ZERO-RATED FROM GENERAL CONSUMPTION TAX (GCT)**

<b>GCT Free Code</b>	<b>Item Description</b>
31.62	Invalid carriages
31.63	Medical and surgical prostheses including surgical implants and ileostomy, colostomy and similar abilities designed to be worn by human beings.
31.64	Artificial breathing apparatus for individuals afflicted with respiratory disorder
31.68	Exercise books ex. Tariff Heading 4820.20
31.7	Sports equipment for use in an approved educational institution or for use by an approved sporting organization
31.73	Gold bullion, coins and bank and currency notes imported by the Bank of Jamaica
31.76	Goods of non-consumable nature which the head of a denomination for which the goods are assigned declares in writing will be used only for the purpose intended and which the Commissioner of Inland Revenue is satisfied are purchased or imported solely for furnishing or decorating place of worship or as vestments for use during public worship.
31.77	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 for the purpose intended.

**Table 2: Goods to become Taxable**

**LIST OF GOODS TO BECOME TAXABLE FOR GCT PURPOSES AS AT JUNE 1, 2012**

<b>Tariff Code</b>	<b>Item Description</b>
31.06	Raw foodstuff (excluding Chicken)
31.07	Flavoured milk, milk based products ; condensed milk and milk substitute)
31.09	Corn beef (canned)
31.1	Pickled mackerel, herring, shad, dried salted fish.
31.13	Buns, crackers (except water crackers), biscuits ( salted and unsalted )
31.18	Eggs
31.19	All Patties
31.2	Rolled Oats
31.22	Live Birds, Fish, Etc.
31.31	Syrup ex. Tariff 21.06
31.49	Animal feeds pet food.
31.51	Planting materials including cereals and seeds in their natural state, dormant flower bulbs, corns, roots and tubers and nursery stock, vegetable plants and live trees;
31.58	Surgical gloves, including disposable, sterile and those made of latex rubber.
31.65	Printed matter, articles and materials classified under tariff Heading Nos. 49.01 to 49.05

**4. Amendment to the GCT regime as it relates to Electricity**

- a) The House may recall that the GCT rate payable on electricity was 10%, with a threshold of 200 kWh for residential customers.
- b) It is being proposed that the threshold be increased to 300 kWh for residential customers and the rate increased to the standard rate of sixteen and a half percent (16.5%). The House should note that approximately 80,000 residential customers will be removed from the tax roll as a result of this change, leaving approximately 52,000 residential customers at the high consumption levels, which will remain subject to the tax.

**Estimated Revenue Gain J\$0.43 billion. The effective date of implementation is June 1, 2012.**

**5. Amendment to the Corporate Income Tax (CIT)**

- a) **Modified CIT rate structure with:-**
  - i. 33 1/3 % for the regulated companies
  - ii. 25% for unregulated companies

Regulated companies would include companies regulated by Financial Services Commission (FSC), Office of the Utilities Regulation (OUR), Bank of Jamaica and the Ministry of Finance

No adjustment is proposed to rates applicable to building societies or life assurance companies.

**Estimated Revenue Loss J\$0.45 billion. The effective date of implementation is January 1, 2013**

**6. Increase Annual General Personal Income Tax (PIT) Threshold**

- a) Increase in the annual general personal income tax threshold from \$441,168 to \$507,312. The movement of the threshold will result in an additional 2981 persons falling outside of the tax base.
- b) The House is being asked to recall that in Ministry Paper 26 (April 2009) it was decided that workers in the tourism industry would enjoy the portion of the tax free gratuity, which exceeded the personal income tax threshold
- c) The tax free portion currently enjoyed is \$29,104 per annum. With the proposed threshold being greater than the current gratuity benefit, the retention would not provide any additional tax benefit and will be fully absorbed.

**Estimated Revenue Loss J\$0.10 billion. The effective date of implementation is January 1, 2013.**

**7. Imposition of tax on dividends payable to residents**

- a) The imposition of tax on dividends payable to residents is being proposed in order to address the existing anomaly in the system, as non-residents are currently subject to withholding tax on dividends.
- b) The proposed rate is five percent (5%)
- c) The tax should be withheld at source and paid to the Collector of Taxes.
- d) The tax would be treated as a final tax.

**Estimated Revenue Gain J\$0.30 billion. The effective date of implementation is June 1, 2012.**

**8. Introduction of a Minimum Income Tax**

It is proposed that a minimum income tax be implemented, as follows:

- a) The tax should be applied by all registered companies, with the following exceptions
  - I. Companies in the first year of incorporation (in order to allow a breathing space)
  - II. Charities
  - III. Any company under Section 12 of the Income tax Act
- b) Companies under an incentive which provides income tax relief should be liable for the flat rate.
- c) Self-employed; professionals (including lawyers, doctors, consultants)
- d) A Flat rate of tax of \$60,000 is applicable

**Estimated Revenue Gain J\$0.66 billion. The effective date for implementation is January 1, 2013.**

**9. Change in the Special Consumption Tax (SCT) Regime in respect to Over Proof Rum**

- a) GOJ took the decision in 2010 to tax selected alcoholic beverages based on their alcohol content.
- b) It is proposed that the regime as it relates to Over-proof Rum, which currently attracts 30% ad valorem SCT be rescinded. Consequently, in an attempt to address the anomaly, it is recommended that a specific SCT rate of \$960 per litre of pure alcohol (L.P.A.) be imposed on Over-proof Rum.

**Estimated Revenue Gain J\$0.75 billion. The effective date for implementation is June 1, 2012.**

**10. Modify alcoholic regime for tourism**

- a) Members are being asked to recall that via Ministry Paper 96/10 dated November 30, 2010 and Revised Revenue Measures FY 2010/2011 dated 14 December 2010, a special regime was put in place to maintain the ad valorem SCT rate for the tourism industry.
- b) It is proposed that the old regime be supplanted with a specific SCT rate regime be implemented at \$700.00 per litre of pure alcohol (L.P.A)

**Estimated Revenue Gain J\$0.53 billion. The effective date for implementation is June 1, 2012.**

**11. Increase CET on selected goods**

- a) GOJ is committed to the overall reduction of rates, however this is juxtaposed against the need to ensure revenue adequacy. In order to meet the overall objectives, the House is therefore being asked to consider and approve the increase in the Common External Tariff on selected items on List C of the Harmonized Tariff.
- b) List C – represents a CARICOM wide listing of items, which are deemed to be revenue sensitive. In light of this, CARICOM members like Jamaica are provided the opportunity to increase the tariff upwards (subject to the bound rate as determined under the WTO). Some items under List C include, but not limited to motor vehicles (such as SUV's), motor vehicle spare parts, jewellery (diamonds, wrist watches), glass, alcohol(gin, vodka, liqueurs , cordials, etc.)
- c) It is proposed that the rates be increased by ten percentage points.

**Estimated Revenue Gain J\$1.95 billion. The effective date for implementation is June 1, 2012.**

**12. Amend GCT System for the Accommodation Sector**

- a) It is proposed that the taxation system of the accommodation sector (hotels, villas, resort/cottages and apartments and other similar tourist accommodation) be modified by introduction of a dual taxation system.
  - i. A specific GCT regime with rates per room as set out in Table 3 below;



- ii. Retention of the 10% GCT rate for the Sector. However, the current tax free expenses of commission and transportation will no longer be allowed in the computation of the output tax. Gratuities will nonetheless remain as a tax free expense.

**Table 3: Proposed Specific GCT for Accommodation (Hotel Occupancy Room Rate)**

No. of Rooms/Hotel Size	Room Rate per Night (US\$)
Less than 51	2.00
51 to less than 101	6.00
101 to less than 201	10.00
At least 201	12.00

In relation to other tourist activities such as tour operators, attractions and water sport operators, the GCT rate of 10% shall still be applicable. However, for these tourist activities there will be a removal of the tax free expenses such as commission, transportation in computing the output tax. Similarly as stated for the tourist accommodation sector, gratuities will nonetheless remain as a tax free expense.

**Estimated Revenue Gain J\$2.53 billion. The effective date for implementation is September 1, 2012.**

**13. Increase Motor Vehicle Licence and Registration Fees**

- a) The House is being asked to approve the proposed increase in motor vehicle licences, licence plates, fitness and registration fees by fifty percent (50%). Details provided at Appendix I
- b) The increased cost of production for licence plates has made it a necessity for the GOJ to try to recover a portion of the operational costs.

**Estimated Revenue Gain J\$ 0.60 billion. The effective date for implementation is June 1, 2012.**

**14. Increase tax rate on winnings – Betting Gaming, Horse Racing and Lottery**

- a) It is being proposed that the tax rate be increased from the current 15% to 20%

**Estimated Revenue Gain J\$0.38 billion. The effective date for implementation is June 1, 2012.**

**15. Changes to termination cost for telephone calls**

- a) In keeping with equity and to ensure compliance with our other trading partners, it is proposed that there be a readjustment in the termination fee structure as it relates to mobile to mobile and mobile to land termination.
- b) With the reduction of the fee by the Office of Utilities Regulation (OUR), it is proposed that a tax be placed as follows: –
  - i. J\$0.30 per minute on all domestic calls for termination to the mobile network and fixed lines AND
  - ii. US\$0.075 per minute on all international calls for termination to the mobile network

**Estimated Revenue Gain J\$5.25 billion. The effective date for implementation is June 1, 2012.**

**16. Modify Asset Tax**

- a) The House is being asked to approve the modification of the asset tax for financial institutions and security dealers as governed by the BOJ and the FSC as follows:-
  - i. The tax will be based on total assets (including Guarantees/Letters of Credits) but net of both International Financial Reporting Standards (IFRS) and prudential loan loss provisions
  - ii. Rate of tax 0.2%
- b) For non-financial institutions, the asset tax regime will be modified as follows:-

<b>Asset Value</b>	<b>Annual Asset Tax</b>
At least J\$50 M	J\$100,000
At least J\$5 M but less than J\$ 50M	J\$75,000
At least J\$500,000 but less than J\$5M	J\$50,000
At least J\$50,000 but less than J\$500,000	J\$25,000
Less than J\$50,000	J\$10,000

- c) It is proposed that the filing date be changed to March 15.

**Estimated Revenue Gain J\$1.95 billion. The effective date for implementation is June 1, 2012.**

**17. Introduction of a specific SCT on unprocessed tobacco**

- a) The introduction of Specific SCT of \$10.50 per 0.7 gram of unprocessed tobacco product (bundled tobacco leaves)

**Estimated Revenue Gain J\$0.38 billion. The effective date for implementation is June 1, 2012.**

**18. Imposition of SCT on denatured ethanol for use in the blending of petroleum products**

- a) In keeping with the need to reduce distortions within the economy and to ensure equity within the taxation system, GOJ is seeking to provide for similar tax treatment in respect to denatured ethanol, purchased locally/imported for the purpose of blending with petroleum products.
- b) The House is being asked to note that ethanol is alcohol which usually attracts a specific SCT rate of \$960.00 per litre of pure alcohol (L.P.A.). Given that the denatured ethanol is being utilized for the blending of petroleum products, the lower petroleum rate is proposed.
- c) The denatured ethanol will therefore attract SCT at the rate of \$16.32 per litre.

**Estimated Revenue Gain J\$0.54 billion. The effective date for implementation is June 1, 2012.**

**19. Curtail Discretionary Waivers**

- a) The House is being asked to recognize the distortionary impact and fiscal strain being placed on GOJ based on the current system of waivers and incentives.
- b) In line with the GOJ's continued commitment to ensure that the principles of equity and revenue adequacy are evident in every facet of the tax system, it is proposed that the extent of discretionary waivers granted be significantly reduced by adoption of the following strategies:-
- i. Cancellation of all blanket discretionary waivers, effective this financial year FY 2012/2013

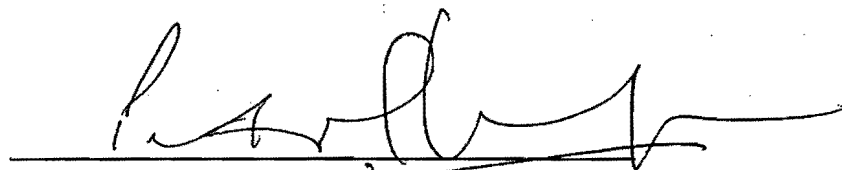
- ii. Abolition of GCT waivers to public entities liable for the payment of GCT, effective FY 2012/2013
- iii. Abolition of waivers that relate to the importation of horses.
- iv. Formalize the previous decision taken in 2011 to eliminate Modernization of Industry (MOI) as a discretionary waiver.
- v. Introduction of Omnibus Legislation to govern waivers and incentives. This will be developed and passed through the legislative process over the medium term.
- vi. Establish a reform and coordinating Unit for incentive and concessions, the objective will be to rationalize the assessment, approval and monitoring process.
- vii. In addition, there will be the establishment of a waiver committee, which would be guided by the criteria stated in the Omnibus Legislation. The committee will have representatives of the Tax Policy Division, Tax Administration of Jamaica and a representative of Civil Society. The Minister's role in the operation of the Committee will be one of appeal.
- viii. All waivers above a certain threshold (to be decided by the Waiver Committee) will be gazetted.
- ix. The development of a waiver policy and procedure which will include: -
  - 1. A standardized application form to obtain relevant information including full applicant name, business name, nature of the waiver, the cost associated, tariff number (for imports), the tax being requested, TCC indicating compliance, invoices clearly outlining description of goods and associated value.
  - 2. An electronic system to track waiver application from start to finish, with the ability to generate reports to meet the Ministry of Finance's analytical needs.
  - 3. Introduction of standard form responses in keeping with the waiver procedure that is being currently developed through the collaborative efforts of Tax Policy and Tax Administration of Jamaica.

- x. All incentives which have not been in use for a number of years will be repealed in the first year – FY 2012/2013
- xi. The rationalization and reform of the incentive regime will be undertaken before the end of the medium term i.e. FY 2015/2016. The proposed rationalization of incentives is being undertaken to ensure that these are offered within a structured rule based framework and is aligned with productivity indexes.

**Estimated Revenue Gain J\$1.88 billion. The effective date for implementation is June 1, 2012.**

**SUMMARY OF REVENUE MEASURES**

	Revenue Impact \$J Billion
1. Reduction in Standard Rate of GCT from 17.5% to 16.5%	-2.40
2. Partially Widen GCT Base	4.20
3. Increase the threshold on electricity to 300 kWh (for residential) and increase the GCT to the standard rate of 16.5 per cent	0.43
4. Amendment of the Corporate Income Tax (CIT)	-0.45
5. Increase Annual General Personal Income Tax (PIT) Threshold	-0.10
6. Imposition of tax on dividends payable to residents	0.30
7. Introduction of a minimum income tax	0.66
8. Change in SCT regime for Over-proof Rum	0.75
9. Modify alcoholic regime for tourism	0.53
10. Increase CET on selected (List C) goods	1.95
11. Modification of the GCT Regime for the Tourism sector	2.53
12. Increase Motor Vehicle Licence, Fitness, Licence Plates and Registration Fees.	0.60
13. Increase tax rate on winnings – Betting Gaming, Horse Racing and Lottery	0.38
14. Changes to termination cost for telephone calls	5.25
15. Modify Asset Tax	1.95
16. Introduction of Specific SCT of \$10.50 as per 0.7 gram of unprocessed tobacco product (bundled tobacco leaves)	0.38
17. Imposition of SCT on denatured ethanol	0.54
18. Curtail Discretionary Waivers	1.88
<b>TOTAL</b>	<b>19.36</b>



Peter Phillips PhD, MP  
Minister of Finance and Planning  
May 24<sup>th</sup>, 2012

**Appendix I: Proposed Changes for Motor Vehicles – Licence, Licence Plates, Fitness & Registration Fees**

<b>Annual Motor Vehicles Licence Fees</b>				
		<b>Rates Structure</b>	<b>Old Rates</b>	<b>New Rates</b>
<b>Taxis</b>				
Motor Cars (Taxis)		5,125	5,125	7,700
<b>Motor Cars</b>				
Motor Cars (not exceeding 1199cc)		5,125	5,125	7,700
Motor Cars (exceeding 1199cc but not exceeding 2999cc)		7,000	7,000	10,500
Motor Cars (exceeding 2999cc but not exceeding 3999cc)		16,000	16,000	25,600
Motor Cars (exceeding 3999cc)		24,250	24,250	38,800
<b>Motor Cycles</b>				
Motor Cycles (not exceeding 125cc)		2,050	2,050	3075
Motor Cycles (exceeding 125cc but not exceeding 500cc)		3,100	3,100	4650
Motor Cycles (exceeding 500cc)		4,750	4,750	7125
<b>Trucks and Tractors(petrol/diesel)</b>				
Trucks and Tractors(not exceeding 50 cwt./2540.115kg)		7,000	7,000	10,500
Trucks and Tractors(exceeding 50 cwt./2540.115kg but not exceeding 120cwt/6109.09kg)		12,000	12,000	18,000
Trucks and Tractors (exceeding 120cwt/6109.09 kg)		12,000	12,000	18,000
<b>Trailers</b>				
Trailers (per cwt./50.91 kgs)		112.50 per cwt		168.8 per cwt
		112.5		168.8
0 - 20cwt	20		2,250	3,375
20cwt - 30cwt	30		3,375	5,063
30cwt - 40cwt	40			

Annual Motor Vehicles Licence Fees				
		Rates Structure	Old Rates	New Rates
			4,500	6,750
40cwt - 50cwt	50		5,625	8,438
50cwt - 60cwt	60		6,750	10,125
60cwt - 75cwt	75		8,438	12,656
75cwt - 120cwt	120		13,500	20,250
120cwt and over	121		13,613	20,419

Licence Plate Fees		
Plate Types	Plate Rates	Rate Change
PP and CC Plates	1,500	2,250
Motor Cycle Plates	1,250	1,875
Private Plates	1,500	2,250
Trailers (private)	1,500	2,250
Substitute Motor Car Plates(private)	2,500	3,750
Substitute Motor Cycle Plates & Trailer	2,500	3,750
Substitute PP/CC Plates	2,500	3,750
Demonstration Plates	5,000	7,500
Personalized Plates	20,000	30,000

Licence Fees		
	Current Fee	New Fee
General Driver's Licence	4,000	6,000
Motor Cycle Driver's Licence	2,300	3,450
Private Driver's Licence	3,000	4,500
Provisional Driver's Licence (Learner's) for one year	1,000	1,500
Substitute Driver's Licence	2,300	3,450



<b>Other MV Related Fees</b>		
	<b>Current Fee</b>	<b>New Fee</b>
Application of Title	900	1,350
Application for Motor Vehicle Title (Substitute)	1,000	1,500
Driver's Licence Examination Fee	1,800	2,700
MV Certificate of Fitness Fee (Private Motor Vehicle/Car)	2,500	3,750
Motor Cycle Fitness Fee	2,500	3,750
Trailer & Tractor Fitness Fee	3,000	4,500
MV Certificate of Fitness Fee PPV (L-Form)	1,800	2,700
MV Certificate of Fitness Fee – M/V defects were remedied	3,500	5,250
M/V Certificate of Fitness Fee – PP & CC	3,000	4,500
Substitute Registration Certificate/Disc Fee	500	750
Motor Vehicle Transfer Fee	500	750

