



**CORRIGENDUM TO MINISTRY PAPER 44/14  
TITLED "REVENUE MEASURES FOR F/Y  
2014/2015"**

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**Ministry of Finance and Planning**

**30 April 2014**

**MINISTRY PAPER # \_\_\_\_ /2014**

**REVISED REVENUE MEASURES – FY 2014/2015**

The Honourable House is being requested to take note of the changes in respect to revenue measures for the Fiscal Year 2014/2015.

The revised revenue measures reflect changes made to the measures presented in Parliament on Thursday April 17, 2014 vide Ministry Paper 44/14.

The revisions include:-

- i. the modification in respect to the introduction of a unified rate of SCT for alcoholic beverages
- ii. withdrawal of the proposals in respect to the increase in taxation on premium and investment income of insurance companies and
- iii. withdrawal of the introduction of levy on withdrawals and encashments.

The Government has provided for substitute measures. These substitute measures are estimated to yield \$3.23.

Accordingly a revised summary is hereby provided.

**Measures to be Modified and/or Withdrawn**

- 1. Modification of the Alcohol Regime to Unify the Specific SCT on all alcoholic beverages at the Rate of \$1,120 per litre of pure alcohol.**
  - a) The Ministry of Finance, based on continued consultation with the sectors, particularly the tourism sector, is recommending a partial modification to this measure.
  - b) The tourism sector raised concerns about the competitive nature of the Industry vis-à-vis regional and global partners. It was therefore determined that the industry be provided additional time to absorb the changes to the current regime.
  - c) It is hereby recommended that the implementation of the change to the tourism rate of alcohol from \$700 per litre of pure alcohol (l.p.a) to the unified rate of \$1,120 per l.p.a. be delayed, for a period not exceeding one (1) month. This will provide the sector with ample time to adjust to the proposed rate change.
  - d) It should be noted that all other aspects of the measure remain unchanged.
  - e) The estimated revenue loss is \$36 million.

## **2. Modification to the duty regime for specified motor vehicles**

- a) The House may recall that via Ministry Paper 44/14, there was a modification to the duty regime for selected motor vehicles, whereby the Common External Tariff (CET) was reduced by ten percentage points from 30% to 20%.
- b) For clarity, it should be noted that this reduction is extended to all categories of pickups and hybrids. Pickups and Hybrids will therefore now attract CET of 20%.
- c) Additionally, the House is asked to note that SCT on Hybrids was inadvertently increased from 0% to 10%. The intent of the Government is to retain the duty regime. It is hereby recommended that the SCT be retained at 0% for this category.
- d) No change in the revenue estimates reported in Ministry Paper 44/14 is anticipated.

3. House Members are being asked to note that the GoJ, having regard to the concerns of both the general public and the financial sector (banking and insurance sub-sectors), has reviewed the imposition of the levy on withdrawals and encashments, as well as the modification/increase of taxation on premium and investment income of the insurance companies. The following three (3) measures are recommended for withdrawal based on consultations with key stakeholders.

### **3.1 Levy on Withdrawals from Deposit-taking institutions and encashment from Securities Dealers**

- a) The withdrawal of this measure is estimated to result in a revenue loss of \$2.25 Billion

### **3.2 Increase in the Premium Tax for Regionalized and non-Regionalized Life Assurance Companies to 5.5%**

- a) The withdrawal of this measure is estimated to result in a revenue loss of \$276 million

### **3.3 Increase in the Investment Tax for Insurance Companies to 20.0%**

- a) The withdrawal of this measure is estimated to result in a revenue loss of \$701 million

## Measures to be Introduced

### 4. Increase in the Asset Tax from 0.25% to 1.00% for Life Insurance Companies only

- a) The House may recall that via Ministry Paper 44/14, there was a modification to the asset tax regime, which provided for an increase in the asset tax from 0.14% to 0.25% for entities regulated by the Bank of Jamaica (BoJ) and Financial Services Commission (FSC).
- b) The House is being asked to consider and approve a further increase to the Asset Tax, in respect to Life Insurance Companies Only.
- c) The proposed increase will see the asset tax being increased by 75 basis points. Life Insurance Companies will therefore be required to pay 1.00%. It is recommended that this measure be temporarily imposed for a period of no more than one (1) year. Thereafter the rate will revert to this standard rate as at March 2014.
- d) Table I below provides details of the asset tax rates that will apply for all institutions.

<b>TABLE I: PROPOSED ASSET TAX RATES</b>	
<b>APPLICABLE FOR RATES ENTITIES REGULATED BY BOJ AND FSC</b>	
Life Insurance Companies	1.00%
All other entities regulated by BoJ and FSC	0.25%
<b>APPLICABLE RATES FOR "OTHER ENTITIES" (NOT REGULATED BY THE BOJ AND FSC)</b>	
<b>Asset Value Annual Tax</b>	<b>(J\$)</b>
At least \$50M	200,000
At least \$5M but less than \$50M	150,000
At least \$500,000 but less than \$5M	100,000
<b>Rates for the following categories remain unchanged</b>	
At least \$50,000 but less than \$500,000	
Less than \$50,000	

- e) The House is reminded that the tax will remain an annual tax with filing/due date of March 15.
- f) The estimated revenue gain is **\$930 million**.

## **5. Introduction of a Fifteen Percent (15%) Withholding Tax on all Insurance Premiums paid by Jamaican Residents to Non-Residents.**

- a) The House is being asked to consider and approve the introduction of a withholding tax on all insurance premiums paid by Jamaican residents to non-residents.
- b) Premiums paid to non-residents by Registered Jamaican Insurance Companies will be exempt.
- c) It is proposed that the withholding tax be charged at a rate of fifteen percent (15%).
- d) The measure is to be implemented **with immediate effect**, as at today's date April 30, 2014.

## **6. Amendment to the GCT Act to improve rules relating to imported services**

- a) The House is reminded that in 1991, a General Consumption Tax (GCT) was imposed on imported services but there was no mechanism to collect the tax. In 2003, the Act was amended to provide for such a mechanism. This mechanism proved inadequate.
- b) A further amendment was considered and approved by Cabinet in 2009. However this amendment was not undertaken at the time. In reviewing the operation of the tax, it was noted that there still existed loopholes that were not fully addressed. This proposed amendment is to ensure policy continuity whilst addressing said loopholes and improving the tax collection mechanism.
- c) It is being proposed that the GCT Act be amended to provide for imported services not being subject to an input tax credit.
- d) The objective of this measure is to provide for leveling of the playing field. Currently the increased volume of imported services results in competitive distortions by treating identical suppliers of services differently.
- e) The measure will remove the incentive for certain persons to acquire services from non-residents, including offshore branches of the person, in preference to using local suppliers whose services would be taxable.
- f) This measure will be applicable to all services excepting, the supply of electricity, business processing operations, tourist accommodation and services imported by the bauxite/alumina subsector.
- g) Although not primarily a revenue measure, it is expected that it will enhance revenue collections by stemming the revenue loss from the GCT base.
- h) The effective date of the proposed amendment is 1 June 2014.

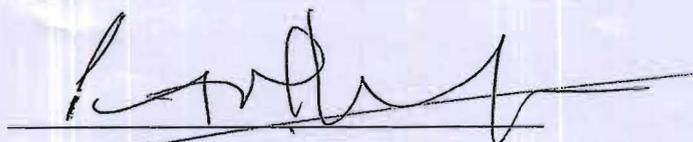
**The proposed introduction of withholding tax on insurance premiums paid by Jamaican residents**

## SUMMARY OF REVISED REVENUE MEASURES

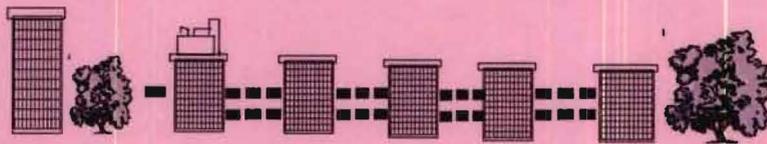
The increase in the modified asset tax, the newly introduced withholding tax on insurance premiums paid by Jamaican residents to non-residents and measure to strengthen compliance through amendment to the GCT are estimated to yield revenue of \$3.23 Billion for 2014/15.

The House is asked to note that the modifications, together with the Revenue Measures that remain unchanged, will bring the overall revenue impact to approximately **\$6.693 billion**.

Revenue Measures, as Presented to the House	Proposed Modification to the Revenue Measures	Estimated Revenue Impact JS Billion Gain/(Loss)
1. Modification of the Alcohol Regime to Unify the Specific SCT on all alcoholic beverages at the Rate of \$1,120 per litre of pure alcohol.	Measure to be deferred for one month for the Tourism Industry only.	(\$0.036 Bn)
2. Modification to the duty regime for specified motor vehicles.	Measure modified/clarified to provide for:- <ul style="list-style-type: none"> <li>• Inclusion of all categories of pickups and hybrids in respect to reduction of CET to 20%.</li> <li>• Reduction of SCT from 10% to 0% on hybrids, as this was inadvertently increased.</li> </ul>	Estimate of \$0.250 Bn noted in Ministry Paper 44/12 is expected to remain unchanged.
3. Levy on Withdrawals from Deposit-taking institutions and encashment from Securities Dealers	Measure Withdrawn	(\$2.25Bn)
4. Increase in the Premium Tax for Regionalized and non-Regionalized Life Assurance Companies to 5.5%	Measure Withdrawn	(\$0.276Bn)
5. Increase in the Investment Tax for Insurance Companies to 20.0%	Measure Withdrawn	(\$0.701Bn)
6. Increase in the Modified Asset Tax from 0.14 to 0.25% for entities regulated by the BOJ and FSC	Further increase the Modified Asset Tax Rate by an additional 75 basis points to 1.00% for Life Insurance Companies only.	<b>\$0.930 Bn</b>
7. N/A - Newly introduced measure	Introduction of a New Measure - a 15% Withholding Tax on all Insurance Premiums paid by Jamaican Residents to Non-Residents.	<b>\$2.3 Bn</b>
8. N/A - Compliance Measure	Amendment to the GCT Act - to disallow input credit for imported services	



Peter Phillips, Ph.D., MP  
Minister of Finance and Planning  
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**Ministry of Finance and Planning**  
30 National Heroes Circle, Kingston 4, Jamaica W.I. Tel (876) 922-8600-16  
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