

MINISTRY PAPER 17/17

REVENUE MEASURES FOR FINANCIAL YEAR 2017/18

The House is being reminded of the policy commitment to shift the burden of taxation from a system of direct taxes to a simplified system of indirect taxation. This will involve measures relating to the main indirect tax types including General Consumption Tax (GCT) and Special Consumption Tax (SCT). It will also involve balancing considerations regarding tax rate increases versus a progressive broadening of the tax base by reducing exemptions. This reform must also satisfy the objectives of revenue sufficiency, emphasize equity (with regards to the burden of taxation), and facilitate administrative efficiency. It is within this context that the following mix of measures are proposed to be implemented for fiscal year 17/18.

Special Consumption Taxes

2. **Increase in the Special Consumption Tax (SCT) payable in respect to fuel**
 - a) The House is asked to recall that based on volatility of oil prices, it was prudent to provide for an additional increase last fiscal year to preserve the integrity of the revenues.
 - b) The current increase is proposed in recognition of the need to protect the environment from increased carbon emissions.
 - c) The increase ranges from \$0.43 to a \$7.36 as detailed in Table 1 below:-

Type of Fuel	Increase per litre/MMBtu (one million British Thermal Units) for the different fuel types
Liquefied Natural Gas (LNG)(JPS)	\$0.43
Ultra-Low Sulphur Diesel (LPG) butane	\$1.07
(LPG) propane	\$3.90
Gasoline Unleaded 87	\$5.67
Gasoline Unleaded 90	\$5.67
Automotive Diesel	\$6.70
Heavy Fuel Oil (HFO) (JPS)(IPPs)	\$1.52
Heavy Fuel Oil (HFO) (others)	\$7.36

d) The annual potential revenue gain from this measure is estimated at **\$7.459 billion**. In keeping with the current pricing cycle of Petrojam, the new regime will be reflected in the pump prices as at **15th March 2017**.

3. Increase in SCT in respect to alcoholic beverages.

a) The House is being asked to recall that the regime for alcoholic beverages was modified and a unified *Specific* SCT applied to all alcoholic beverages at a single rate of \$1,120 per litre of pure alcohol (L.P.A.) via Revenue Measures FY 2014/2015.

b) The House is being asked to consider and approve an increase to **\$1,230.00 per litre of pure alcohol**

c) The annual potential revenue gain from this measure is estimated at **\$0.403 billion**. The measure takes effect **13th March 2017**.

4. Increase in SCT in respect to tobacco and tobacco products

a) Members of the House are being reminded that Jamaica continues to be committed to providing for a reduction in tobacco consumption locally. This mandate is in conformity with Article 6 of the ratified *Framework Convention on Tobacco Control* (FCTC). The Ministry of Finance is committed along with the Ministry of Health in continuing to advocate for a healthier Jamaica. It is against this background that there has been a systematic increase over the years.

b) The House may recall that the last increase was undertaken, via Revenue Measures FY 2016/2017, where the tax was increased to \$14.00 per stick. House members are asked to note that with this measure the GoJ seeks to balance the imperatives of revenue *vis-à-vis* public health is a delicate balance. Globally it is a general consensus that tax policy has been considered the most effective strategy to reduce tobacco consumption and prevalence. In addition, the Government is committed to increased compliance efforts to reduce the infiltration of the illegal items, as they pose an even threat to public health.

- c) The House is therefore being asked to consider and approve an increase in the *Specific* Special Consumption Tax (SCT) charged per stick.
- d) It is recommended that the *Specific* SCT be increased to \$17.00 per stick. The increase will be applicable to cigarettes, cigars, cigarillos, cheroots [including cigars, cheroots, cigarillos of tobacco substitutes]
- e) It should be noted that no further changes are being recommended at this time in respect of SCT chargeable for unbundled tobacco.
- f) It is expected that this Measure will yield approximately \$0.826 billion. In line with the previous SCT related measure, the measure will take effect 13th March 2017.

General Consumption Tax (GCT)

To support the policy shift towards indirect taxation, the GCT tax base is being progressively widened. In fiscal year 17/18, the following two measures are being proposed:-

- 5. **Imposition of GCT in respect to Group Health Insurance**
 - a) In this regard, it is being proposed to impose a consumption tax on premiums in relation to the provision of health insurance.
 - b) It is expected that this Measure will yield approximately \$1.88 billion, and it is being proposed to introduce the new regime on April 3, 2017.
- 6. **Reduction of the threshold for the application of GCT, in respect to the consumption of residential electricity**
 - a) The House may recall that the GCT on residential electricity was re-imposed in April 2015 via (Revenue Measures FY 2015/16) on usage above 350kWh per month. It is proposed that the threshold be reduced to 150kWh per month.
 - b) The measure is expected to widen the tax base and reduce distortions. House members are being asked to note that only

users with consumption above 150kWh per month will be subject to the tax. It should be noted that despite this reduction in the threshold, some 60.70% of the total population of customers or 323,364 of the most vulnerable residential customers will therefore not be required to pay this tax. This measure can be seen as part of the strategy to encourage energy conservation and the use of alternative sources of energy.

- c) It is expected that this Measure will yield approximately **\$1.498 billion** and is proposed to take effect on the **3rd April, 2017**.

Other Taxes

7. **Increase in Motor Vehicle Licence and Fees**

- a) The House is asked to note that motor vehicle licences and fees were last adjusted in fiscal year 2012/13 as a means of cost recovery for the goods and services provided by the revenue administration. The current cost to provide motor vehicle licence plates and related paraphernalia has increased significantly, and has had to be absorbed by the Tax Administration Jamaica, and by extension, the Government.
- b) In light of the foregoing, the current decision has been taken to impose an across the board increase of 20.0% on Motor Vehicle Licences and allied Fees, principally as a means to recover a part of the cost to provide the goods and services to the motoring public.
- c) The House should note that the policy intent of this measure is not to recover the increase in the licences and fees on a retroactive basis, from the motorist that have already paid on the basis of the old rates.
- d) This Measure has been programmed to yield approximately **\$0.464 billion**, and it is being proposed to introduce the new Motor Vehicle Licences and Fees with effect from **March 13, 2017**

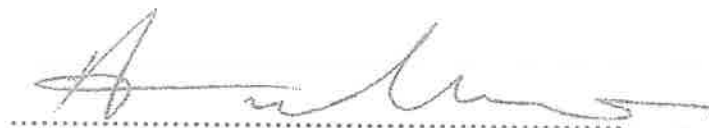
8. **Re-imposition Of Withholding tax on General Insurance Premiums paid by Jamaican Residents to non-residents at a rate of 15%**

- a) The House may recall that the Revenue Measures of 2013/14 introduced Withholding Tax on premiums of General Insurance paid by Jamaica residents to non-residents. At the time of the introduction of the regime, the General Insurance Companies, who paid premiums to non-nationals, were exempted from the regime, while the Insurance Brokers and Agents were levied with the tax;
- b) Whereas General Insurance companies are restricted by the Financial Services Commission, as regards the overseas insurance companies with which insurance contracts may be placed, the Brokers and Agents were not so restricted. This created some inequities within the insurance industry.
- c) The decision was taken in fiscal year 2015/16 to add the Insurance Brokers and Agents to the list of exempt entities, for the purpose of withholding taxes on premiums paid to non-nationals.
- d) It has now become necessary to remove the General Insurance Companies, Insurance Brokers and Agents from the list of exempt entities, thereby now making it a statutory requirement for all residents in Jamaica to withhold taxes on premiums paid to non-nationals at a rate of 15.0%.
- e) It is expected that this Measure will yield approximately ***\$0.99 billion***, and it is being proposed to introduce the policy change effective for the year of Assessment ending December 2017.

SUMMARY OF MEASURES

A summary of the measures together with the expected revenue impact is provided in the table below:

Summary of Tax Measures	Expected Revenue Yield (\$ billion)
Special Consumption Tax:	
Increase Excise on Pure Alcohol (from \$1,120 per litre to \$1,230 per litre)	0.403
Increase excise on Tobacco Products (from \$14 per stick to \$17 per stick)	0.826
Increases in Specific SCT on Fuels	7.459
General Consumption Tax:	
Apply GCT at 16.5 per cent to Group Health Insurance	1.884
Reduce the threshold for the application of GCT on the consumption of residential electricity from 350 kWh per month to 150kWh per month	1.498
Other Taxes:	
Increase Motor Vehicle Licence and Fees by 20 %	0.464
Re-Impose Withholding tax on General Insurance Premiums paid by Jamaican Residents to non-residents at a rate of 15%	0.990
Gross Total	13.524



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Minister of Finance and the Public Service
March 9, 2017

Appendix I: Proposed Motor Vehicle & Driver's Licence Related Fee Increase

DESCRIPTION		EXISTING FEES	PROPOSED NEW FEES
MOTOR VEHICLE LICENCE FEES			
Taxis			
Motor Cars (taxis)		\$7,700.00	\$9,240.00
Motor Cars			
Motor Cars (not exceeding 1199cc)		\$7,700.00	\$9,240.00
Motor Cars (exceeding 1199cc but not exceeding 2999cc)		\$10,500.00	\$12,600.00
Motor Cars (exceeding 2999cc but not exceeding 3999cc)		\$24,000.00	\$28,800.00
Motor Cars (exceeding 3999cc)		\$36,375.00	\$43,650.00
Motor Cycles			
Motor Cycles (not exceeding 125cc)		\$3,075.00	\$3,690.00
Motor Cycles (exceeding 125cc but not exceeding 500cc)		\$4,650.00	\$5,580.00
Motor Cycles (exceeding 500cc)		\$7,125.00	\$8,550.00
Truck and Tractors (petrol/diesel)			
Trucks and Tractors (not exceeding 60 cwt./2540.115 kg)		\$10,500.00	\$12,600.00
Trucks and Tractors (exceeding 60 cwt./2540.115 kg but not exceeding 120 cwt./6109.09 kg)		\$18,000.00	\$21,600.00
Trucks and Tractors (exceeding 120 cwt./6109.09 kg)		\$18,000.00 plus \$100 per 50.91 kg(1cwt)	\$21,600.00
Trailers			
Trailers (per cwt./50.91 kgs)			
0 – 20 cwt.		\$3,375.00	\$4,050.00
20 cwt. – 30 cwt.		\$5,063.00	\$6,075.60
30 cwt. – 40 cwt.		\$6,750.00	\$8,100.00
40 cwt. – 50 cwt.		\$8,438.00	\$10,125.60
50 cwt. – 60 cwt.		\$10,125.00	\$12,150.00
60 cwt. – 75 cwt.		\$12,656.00	\$15,187.20
75 cwt. – 120 cwt.		\$20,250.00	\$24,300.00
120 cwt. and over		\$20,419.00	\$24,502.80

DESCRIPTION		EXISTING FEES	PROPOSED NEW FEES
LICENCE PLATES FEES			
PP and CC Plates		\$2,250.00	\$2,700.00
Motor Cycle Plates		\$1,875.00	\$2,250.00
Private Plates		\$2,250.00	\$2,700.00
Trailers (private)		\$2,250.00	\$2,700.00
Substitute Motor Car Plates (private)		\$3,750.00	\$4,500.00
Substitute Motor Cycle Plates & Trailers		\$3,750.00	\$4,500.00
Substitute PP/CC Plates		\$3,750.00	\$4,500.00
Demonstration Plates		\$7,500.00	\$9,000.00
Personalised Plates		\$30,000.00	\$36,000.00
Application for Renewal of Demonstration Plate	Cars	\$1,000.00	\$1,200.00
	Trucks	\$2,000.00	\$2,400.00
Demonstration Plate Replaced		\$7,500.00	\$9,000.00
DRIVER'S LICENCE FEES			
Private Driver's Licence		\$4,500.00	\$5,400.00
General Driver's Licence		\$6,000.00	\$7,200.00
Motor Cycle Driver's Licence		\$3,450.00	\$4,140.00
Provisional Driver's Licence (Learner's) for one year		\$1,500.00	\$1,800.00
Substitute Driver's Licence		\$3,450.00	\$4,140.00
CERTIFICATE OF FITNESS FEES			
Motor Vehicle Certificate of Fitness Fee (Private/Car)		\$3,750.00	\$4,500.00
Motor Cycle Fitness Fee		\$3,750.00	\$4,500.00
Trailer and Tractor Fitness Fee		\$4,500.00	\$5,400.00
Motor Vehicle Certificate of Fitness Fee PPV (L-Form)		\$2,700.00	\$3,240.00
Motor Vehicle Certificate of Fitness Fee - M/V defects were remedied		\$5,250.00	\$6,300.00
Motor Vehicle Certificate of Fitness Fee - PP & CC		\$4,500.00	\$5,400.00
MOTOR VEHICLE TITLE FEES			
Application for Motor Vehicle Title		\$1,350.00	\$1,620.00
Application for Motor Vehicle Title (Substitute)		\$1,500.00	\$1,800.00

DESCRIPTION		EXISTING FEES	PROPOSED NEW FEES
OTHER MOTOR VEHICLE RELATED FEES			
Driver's Licence Examination Fee		\$2,700.00	\$3,240.00
Motor Vehicle Transfer Fee		\$750.00	\$900.00
Substitute Registration Certificate/Replacement Disc Fee		\$750.00	\$900.00
Motor Vehicle Licence Duty (Fee)		varies according to cc rates & cwt.	
Motor Vehicle Second Sales /GCT			
<i>Cars:</i>			
0 - 1999 cc		\$10,000	\$12,000
2000 cc - 2999 cc		\$15,000	\$18,000
3000 cc - up		\$20,000	\$24,000
<i>Trucks & Buses:</i>			
0 - 30		\$10,000	\$12,000
31 - 60		\$10,000	\$12,000
61 - Up		\$15,000	\$18,000
Motor Vehicle arrears		Varies with period of arrears	
Lien Information Form		\$5.00	\$6.00
Traffic Ticket Collections		varies according to breaches	

