

AN ALERT FROM THE BDO TAX PRACTICE

BDO KNOWS:

JAMAICA TAX

► SUBJECT

FINANCE MINISTER'S BUDGET PRESENTATION AND AMENDMENTS TO THE REVENUE ADMINISTRATION ACT

► AFFECTING

ALL TAXPAYERS

► DETAILS

The Minister of Finance, Honorable Audley Shaw, in his budget presentation on April 28, 2011 presented a list of measures that are expected to stimulate the economy and generate additional revenue. These measures affect several tax types and industries. He also announced changes to the Revenue Administration Act.

Background. The Revenue Administration Act came into effect in 1985 when significant changes were made to the Jamaican Taxation System. There have been several amendments to this Act over the intervening years. The recent amendment introduces several significant changes to the Island's tax administration.

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The revenue measures that were announced relate to the following:

Transfer Tax and Stamp Duty—Mortgages. Effective May 16, 2011, where there is refinancing of a mortgage for an equal amount or less, Stamp Duty will be payable at the nominal rate of \$100,000.

Where there is an increase in the value of the mortgage, the normal applicable rate of duty will be payable on the increase.

Transfer Tax and Stamp Duty—Securities. Effective May 16, 2011, Stamp Duty and Transfer Tax will be removed from the issuance or trading of registered corporate bonds (securities).

The exemption is applicable to all companies whether or not they are registered on the Stock Exchange.

Transfer Tax and Stamp Duty—Deceased Estate. Effective May 16, 2011, the fee (stamp duty) on Probate and Letters of Administration for applications filed on or before April 27, 2011 will be a flat \$5,000 (there will be no refunds of payments already made on the old basis).

Transfer Tax on death for applications in the system at April 27, 2011 will be at a rate of 1.5% (no refunds will be given for deposits on Transfer Tax that were made in excess of the 1.5%).

The following fees payable and transfer tax will apply to deceased estates that are filed after April 27, 2011.

(a) Transfer fees applied as ad valorem stamp duty as listed below:

| <u>Estate Value</u> | <u>Stamp Duty</u> |
|---|-------------------|
| | \$ |
| \$10 million or less | 5,000 |
| Above \$10 million and below \$20 million | 10,000 |
| Above \$20 million and below \$30 million | 15,000 |
| Above \$30 million and below \$40 million | 20,000 |
| Above \$40 million | 25,000 |

(b) Transfer tax on death at 1.5%

General Consumption Tax (GCT). The GCT Act will be amended so that effective May 2, 2011, taxpayers who purchase machinery and equipment valued at \$100,000 or more will be able to claim the input tax credit in three (3) months.

Contractors Levy. Effective for the fiscal year 2011/2012, where the contractors levy has been deducted from the contract of a contractor and was paid to the Collector of Taxes, any amount not utilised as a credit for income tax for that year of assessment can be carried forward to subsequent periods not exceeding five (5) years.

Contractors Levy cont'd. (note that this measure will impact the computation of deferred taxes).

Motor Vehicle Import Duty Structure. The Import Duty Structure on motor vehicles has been revised (See Appendix 1 for the comprehensive revision details).

Effective May 2, 2011:

The Common External Tariff (CET) on motor cars (including SUVs) will be reduced to 20%.

The CET on vehicles commonly referred to as pickups will be increased to 20%.

The CET on bikes with engine sizes below 300cc and 600cc will be reduced to 10% and 20% respectively.

The CET on all-terrain vehicles (ATVs) will be reduced by 20%.

The CIF value to which the current 20% duty concession is applicable will be increased to US\$35,000 (J\$3M).

GCT on Second Sale. Effective May 2, 2011, the GCT on second sale of motor vehicle, by a person who is not a registered taxpayer, will be increased (See table 7 of Appendix I).

Duty on Buses. Effective May 2, 2011, a licenced taxi operator who acquires a bus, with less than ten (10) seats for public transportation will pay aggregate duty of 36% (diesel).

Licensing Fee. Effective May 2, 2011, the annual motor vehicle licensing fee will be increased by \$1,000 (Including motor bikes).

This is applicable to fees which are currently below \$12,000.

National Compliance Programme (NCP). The Honorable Minister announced that the Tax Administration will embark on a national compliance programme during the 2011/2012 fiscal year. Features of this compliance programme include-

- The mandatory requirement for individuals in certain sectors/groups to file an annual income tax return. The NCP will mandate professionals such as doctors, lawyers, accountants, etc to declare their annual income, even if their only source of income is employment in the private or public sector;
- The unannounced inspection and auditing of entities whose business consists mainly of cash transactions; and
- The requirement of persons operating on a cash basis to pay over GCT collected by the 15th of the following month.

The implementation date for these measures was not stated by the Minister.

Tax Cheat Toll-Free Line. Worthy of note also is the Minister's announcement of the provision of a toll-free line for persons to call and give the identity of persons, individuals and companies that are perceived to be cheating the government revenue.

Revenue Administration Act (RAA) (Amendments). The Revenue Administration Act was amended in April 2011.

One major feature of the amendment is the unification of the

- Inland Revenue Department;
- Taxpayer Audit & Assessment Department; and
- Tax Administration Services Department

to create one entity called Tax Administration Jamaica (TAJ).

The TAJ will be headed by a Commissioner General. The Commissioner General will be assisted by Deputy Commissioners General to whom specific functions will be delegated.

Currently, there are three (3) Deputy Commissioners General who will each oversee one of the following:

- Audit, assessment and tax collection operations;
- Legal services; and
- Management services.

The TAJ will operate from seven (7) full service revenue centres located at -

- 1-3 King street, Kingston
- 181 Constant Spring Road, Kingston 8
- Montego Bay, St. James
- St. Ann's Bay, St. Ann
- May Pen, Clarendon
- Mandeville, Manchester
- Spanish Town, St. Catherine

The revenue centres will be managed by general managers who in turn will answer to two (2) senior general managers.

Correspondence. Correspondence with the TAJ should be addressed to -

- The Commissioner General;
- The Deputy Commissioner General, Operations if the matter relates to audit, assessment, etc.; or
- Tax Administration Jamaica—Attention Senior General Manager or to a named general manager of a revenue centre, as appropriate.

Cheque Payment. Cheques are to be made payable to Tax Administration Jamaica (TAJ) - income tax, etc (to indicate the nature of the payment (tax type)).

The old method of payment to the Inland Revenue Department or Collector of Taxes will be acceptable for approximately one (1) year.

Customs Department. Another significant change resulting from the amendment of the RAA is the separation of the Customs Department from Tax Administration. Effective May, the Customs Department will become an Executive Agency.

Tax Appeal Department. The amendment to the RAA has also resulted in the separation of the Tax Appeals Department from Tax Administration. The Tax Appeals Department will become a Revenue Appeal Division of the Ministry of Finance.

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