



Chartered Accountants

BULLETIN 5/2009

December 2009

Dear Client:

We take this opportunity to wish you a productive and prosperous 2010. We are confident that despite the many challenges with which we are faced our natural resilience and our faith will see us through successfully.

We set out below the combined effect of the tax packages presented to Parliament by the Minister of Finance, the Honourable Audley Shaw on December 17, 2009 and the presentation to the nation by the Prime Minister, the Honourable Bruce Golding, on December 23, 2009.

GENERAL CONSUMPTION TAX (GCT)

1] Increase in standard rate of GCT

A one (1%) percentage point increase is proposed for the standard rate of GCT moving it from 16.5% to 17.5% as of January 1, 2010.

Contents

- (i) General Consumption Tax
- (ii) Special Consumption Tax
- (iii) Income Tax
- (iv) Other Taxes

2] Imposition of GCT on the supply of electricity.

GCT will be imposed on the supply of electricity at the rate of 10% as of February 1, 2010.

(a) Residential premises

The imposition of GCT on the supply to residential premises will be on the usage in excess of 200 kilo watt hours of electricity per month. The GCT on the supply of electricity below 200 kilo watt hours per month will be zero rated.

Commercial and industrial customers.

These customers will pay GCT on their total electricity supply.

3] **GCT Rate for Tourism Sector**

The GCT rate for the tourism sector will become fixed at 10% as of April 1, 2010.

4] **Advanced GCT Payments on Imports.**

An Advanced GCT payment of 5% will be imposed on all taxable goods which are imported. This is proposed as a temporary measure.

The importers who file their GCT returns will be able to deduct the advanced GCT from their GCT payments. The advanced GCT payment will not apply to:

- Petroleum products as outlined in the second schedule to the GCT Act.
- Capital goods as designated under the Customs Act.
- Goods imported under the Deferment Scheme pursuant to Section 42 of the GCT Act.
- Goods that are zero rated or exempt under the GCT Act.
- Goods imported by persons who are not registered to collect GCT and already have the uplift GCT value applied for calculation.

The effective date for this measure is January 1, 2010.

Be reminded that the GCT threshold is \$3 million and businesses whose annual turnover is below this sum

will not be required to collect or pay over GCT output tax.

SPECIAL CONSUMPTION TAX (SCT)

5] **Adjustment to SCT on fuel**

Currently under the GCT Act fuel attracts both a specific and an advalorem rate of Special Consumption Tax.

It is proposed that an advalorem rate of 15% be applied as follows:

- (a) Where the fuel is manufactured in Jamaica, the 15% will be applied to the ex-refinery price inclusive of the specific component of the SCT.
- (b) Where the fuel is imported into Jamaica the advalorem rate will be applied to the value as prescribed in the GCT Act.

The items to be affected include:

- Motor spirits including E10/87, E10/90
- Automotive diesel oil
- Kerosene (excluding turbo jet A1 fuel)
- Marine diesel oil

The effective date is January 1, 2010.

6] **Increase in the Special Consumption Tax on Cigarettes**

It is proposed that the cigarettes tariff # 2402.20 and 2402.9010 be increased from the current \$8,500

per 1,000 sticks to \$10,500 per 1,000 sticks.
The effective date is January 1, 2010.

INCOME TAXES

7] Additional Income Tax Rate

The marginal income tax rate of individual who earn more than \$5 million dollars per annum has been increased to 27.5% for those who earn from \$5,000,001 to \$10,000,000 and 35% for those who earn in excess of \$10 million. As of January 1, 2010 the new tax rates are as set out below:

Taxable Income	Marginal Rate
\$0 - \$ 441,168	0%
\$441,169 - \$5,000,000	25%
\$5,000,001 - \$10,000,000	27.5%
\$10,000,001 and above	35%

The rates of 27.5% and 35% will remain until March 31, 2011.

OTHER TAXES

8] Motor Vehicle Licences

Motor Vehicle licences for luxury vehicles with an engine capacity of 3000 cc and above will be increased by \$4,000 per annum. This measure will become effective January 1, 2010.

9] The removal of certain organizations from the Third Schedule Part Three Item 8 to the Customs Act.

The Rifle Association is to be deleted from the Third Schedule of the Customs Act thereby making it subject to tax. The effective date is January 1, 2010.

10] Increase in Common External Tarriff

Additional taxes ranging between 20% and 25% will be applied to certain luxury goods. The Common External Tariff (CET) on the following items will be increased to the new rates indicated as at January 1, 2010.

	<u>Current CET Rate (%)</u>	<u>New CET Rate (%)</u>
Plasma/LED, LCD televisions equal to or greater than 30 inches	20	40
All terrain vehicles (ATV) and motor cycles equal to or greater than 299 ccs	40	50
All guns including shot guns and cartridges and ammunitions and parts thereof	30	50
Yachts and other pleasure boats including jet skis	20	40
Non petroleum synthetic engine oil	0	25
Jewellery	30	50

WEEKLY PAYROLL ISSUE

There are 53 Fridays in 2010. However, the nil rate threshold “Free pay” of \$441,168 will be exhausted after 52 weeks. Therefore, for those persons who have Friday pay days there will be no “free pay” in the 53rd week. All the pay for that week will be subject to tax.

IMPORTANT NOTICE

Material discussed in this Bulletin is meant to provide general information and should not be acted upon without obtaining professional advice appropriately tailored to your individual facts and circumstance

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