

MINISTRY PAPER NO. 23

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REVENUE MEASURES  
2008/09

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10<sup>TH</sup> APRIL 2008

*Ministry of Finance and the Public Service*



## **MINISTRY PAPER NO.**

## **REVENUE MEASURES**

Members of this Honourable House are invited to take note of the New Revenue Measures being proposed for fiscal year 2008/2009.

### **INCOME TAX THRESHOLD**

2. The Income Tax threshold will be raised in 2008/09. There will be two adjustments in this fiscal year:

- a. Effective July 1, 2008, the threshold will be raised to \$200,304.
- b. Effective January 1, 2009, the threshold will be raised to \$220,272.

**This will cost \$575 million.**

### **TRANSFER TAX AND STAMP DUTY ON PROPERTY AND SECURITIES TRANSACTIONS**

3. The transfer tax rate payable on property transfer, at death and other securities that attract a rate of 7.5% will be reduced to 6%. Stamp duty applicable on property transactions that attract a rate of 5.5% will be reduced to 4.5%.

4. The reduction in rates to both the transfer tax and stamp duty is likely to result in the early settlement of transactions.

**It is estimated that this will cost \$1.525 billion.**

**The effective date for the implementation of these measures is May 1, 2008.**

### **ELIMINATE THE WITHHOLDING TAX ON DIVIDENDS**

5. It is proposed to remove the withholding tax on dividends payable by local registered companies to their shareholders in order to create a more equitable tax system.

6. Shareholders will be required to account for the tax when they file their annual returns. Tax on dividends paid to non-residents will continue to have the tax withheld at the appropriate rates.

**It is estimated that this measure will cost \$130 million and the effective date for implementation is January 1, 2009.**

**CUSTOMS USER FEE TO BE USED AS A TAX CREDIT FOR THE MANUFACTURING SECTOR:**

7. To encourage the manufacturing sector, it is proposed that the 2% Customs User Fee (CUF) on qualified capital goods (machinery and equipment only), for production purposes be used as a corporate income tax credit. Manufacturers will be allowed to claim the tax credit in the following year of assessment.

8. The administration of the tax credit will be facilitated through an existing channel, the Modernization of Industry Programme (MOI), where approvals are granted for GCT on qualified machinery and capital equipment by Jamaica Trade and Invest.

It is proposed that this measure be implemented on July 1, 2008. The revenue foregone from this is \$170 million.

**REFORM OF TAX STRUCTURE ON TOBACCO PRODUCTS:**

9. It is proposed to reform the tax structure on tobacco related products and increase the Special Consumption Tax (SCT) rate. The reform proposed would eliminate some of the ad-valorem type taxes on tobacco products, and have them incorporated within one rate of Special Consumption Tax (SCT). The proposals are:

- (a) Eliminate the Additional Stamp Duty, and Ad-valorem SCT on cigarettes.
- (b) Increase the specific tax from \$2,300 to \$6,000 per thousand sticks, and remit 20% of the tax revenues from this source directly to the National Health Fund (NHF).
- (c) Eliminate the Excise Duty, because the tax revenues have been shifted into the specific tax in (b) above.

The revenue yield from the reform measures is expected to be \$2.88 billion and the NHF is expected to receive an additional \$538 million. The effective date for implementation is April 14, 2008.

**INCREASE IN MOTOR VEHICLE LICENCE FEES**

10. Motor vehicle licensing fees were last increased in January 2003, and it is proposed to increase all licensing fees by 50% as indicated in Appendix 1.

This would yield a gross of \$1.165 billion. The effective date for implementation is May 1, 2008.

## **INCREASE IN MOTOR VEHICLE EXAMINATION FEES, DRIVERS LICENCE AND OTHER RELATED FEES**

11 Motor vehicle examination fees, driver's licence and other related fees were last increased in January 2003. It is proposed to increase these as outlined in **Appendix 2**. For example, the current certificate of fitness for private motorcars is \$1,500. The proposal would see this fee increased to \$2,500.

**These measures are expected to yield \$250 million. The effective date for implementation is May 1, 2008.**

## **INCREASE IN THE COST OF GUN LICENCES**

12 The cost of gun licences was last increased in January 2003. It is proposed that these costs be increased as follows:

- (i) Firearm Dealers Licence, from \$10,000 to \$20,000.
- (ii) Firearm Users Renewal (Private), from \$800 to \$2,000.
- (iii) Firearm Users Permit (Renewal and General) Licence, from \$3,000 to \$6,000.
- (iv) Firearm Users Permit (Company), from \$1,000 to \$2,000.
- (v) Firearm Renewal (Restricted), from \$3,000 to \$6,000.
- (vi) Firearm Users Licence (Private), from \$800 to \$2,000.

**This would yield \$100 million. The effective date for implementation is April 14, 2008.**

## **RESTRUCTURING OF MOTOR VEHICLE RATE STRUCTURE**

13. Currently there is a plethora of GCT rates that are applied to motor vehicles. It is proposed to simplify the duty regime for motor vehicles by reducing the number of GCT rates, and return to a single, non-discriminatory rate system between dealers and individuals. The proposed structure is as follows: (See also **Appendix 3**).

(i) 10% ad-valorem Special Consumption Tax (SCT) for engines less than 1500cc, 25% ad-valorem SCT for engines between 1500cc and 2000cc, 35% ad-valorem SCT for engines between 2000cc and 3000cc and 70% ad-valorem for engines larger than 3000cc.

(ii) All sedan and SUV's that use diesel oil will have a 10-percentage point reduction on the applicable SCT.

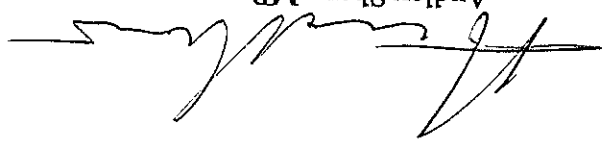
(iii) 16.5% GCT (standard rate) on all vehicle imports.

14. To reduce the revenue leakage, it is also proposed to place a ban on the imports of damaged vehicles and those without certificate of fitness from country of origin.

15. In the 2003/04 Ministry Paper on Taxation Measures, it was proposed that age for imported motorcars should not be more than three years. It was the intention that vehicles imported would be under three years but persons interpreted the proposal to be under four years. In keeping with the original intention, it is proposed that motorcars be three years and under, and vans/light trucks be four years and under will be allowed.

16. In order to have better control over concessions being granted, it has become necessary to limit the 20% duty concession granted to travelling officers within the public service. It is therefore proposed to limit this concession on vehicles to a cif value of a maximum of US\$25,000 and an engine size of a maximum of 2,500 cc. If concession is sought on a vehicle in excess of US\$25,000 and/or engine size in excess of 2,500cc, full duties become payable from the first dollar.

The effective date for implementation for these measures is May 1, 2008 and the revenue yield is \$985 Million.

  
Audley Shaw, MP  
Minister of Finance and the Public Service  
April 10, 2008

## SUMMARY OF TAX MEASURES

	J\$M
1. Tax on Tobacco	2.880
2. Increase in Motor Vehicle Licence	1.165
3. Increase in Motor Vehicle Examination, Drivers Licence	0.250
4. Increase in Gun Licences	0.100
5. Motor Vehicle Rate Structure	0.985
<b>Revenue Gain</b>	<b><u>5,380</u></b>
6. Less Threshold Increase	(0.575)
7. Less Reduction in Transfer Tax and Stamp Duty	(1.525)
8. Less Eliminating Withholding Tax on Dividends	(0.130)
9. Less Customs User Fee as Tax Credit	(0.170)
<b>Revenue Foregone</b>	<b>(2,400)</b>
<b>Total of New Tax Measures</b>	<b>2,980</b>





Appendix 1

ANNUAL MOTOR VEHICLE LICENCES

Types of Vehicle	Existing	Proposed
<b>Motor Cycles</b>	\$	\$
Motor cycles not exceeding 125 cc	700	1,050
Motor cycles exceeding 125 cc but not exceeding 500 cc	1,400	2,100
Motor cycles exceeding 500 cc	2,500	3,750
<b>Motor Cars (Taxis)</b>		
Motor Cars	2,750	4,125
Motor cars not deriving motive power from an internal		
Combustion engine worked by cylinder(s)	2,750	4,125
<b>Motor cars (other than taxis)</b>		
Motor cars not exceeding 1199 cc	2,750	4,125
Motor cars exceeding 1199 cc but not exceeding 2999 cc	4,000	6,000
Motor cars exceeding 2999 cc, but not exceeding 3999 cc.	8,000	12,000
Motor cars exceeding 3999 cc.	13,500	20,250
<b>Trucks and Tractors</b>		
Trucks and tractors not exceeding 2540.115 kgs	4,000	6,000
Trucks and tractors exceeding 2540.11 kgs but not exceeding 6109.09kgs	8,000	12,000
	8,000 plus \$100 per cwt over 120 or 3,000 plus \$100 per 50.91 kgs over 6109 kgs	12,000 plus \$100 per cwt over 120 or 4,500 plus \$100 per 50.91 kgs over 6109 kgs
Trucks and trailers exceeding 6109.09 kgs		
<b>Trailers</b>	\$75 per cwt/50.91 kgs	112.50 per cwt/50.91 kgs



## LICENCES AND FEES

Tax Type	Existing	Proposed
Substitute Drivers Licence	1,300.00	2,300.00
Private Drivers Licence	1,550.00	3,000.00
General Drivers Licence	2,300.00	4,000.00
Motor Cycle Licence	1,300.00	2,300.00
Motor Vehicle Certificate of Fitness Fee	1,500.00	2,500.00
Motor Vehicle Drivers Licence Exam Fee	1,000.00	1,800.00
Motor Vehicle Transfer Fee	25.00	500.00
Application for Motor Vehicle Title	500.00	1,000.00
MV Exam Fees	1,000.00	1,800.00
Application of Title	500.00	900.00
M/V Certificate of Fitness Fee - Any other M/V	1,500.00	2,500.00
M.V Cert. Of Fitness Fee Truck	2,000.00	5,000.00
M/V Certif. Of Fitness - PPV (L - Form)	1,000.00	1,800.00
M/V Certif. Of Fitness Fee - M/V defects were remedied	2,000.00	3,500.00

Ministry of Finance and the Public Service

10-Apr-08



## Proposed Vehicle Tax Structure

	Motor Vehicles and SUV's	
	SCT	GCT
< 1800cc	10	16.5
1801cc - 2500cc	25	16.5
2501cc - 3000cc	35	16.5
>3000cc	70	16.5
Pickup Trucks		
	SCT	GCT
< 1,700 kg	25	16.5
non-luxury	35	16.5
luxury	70	16.5
Other Vehicles		
	SCT	GCT
Limousines	35	16.5
Motor Tractors and Trailers	0	16.5
Trucks used in agriculture	0	16.5
Trucks – Other Use		
Under 2,032 kg.	25	16.5
> 2,032 kg	10	16.5
Chassis and Engines	0	16.5
Buses 9-14 Seats	25	16.5
Buses 15-24 seats	10	16.5
25 or more seats	0	0
Buses Other Uses	35	16.5





