

## MINISTRY PAPER NO. 26

### REVENUE MEASURES

1. The Honourable House of Representatives are invited to take note of the New Revenue Measures being proposed for fiscal year 2009/2010.

#### 2. *Increase in the General Income Tax Threshold*

- a) It is being proposed that the general Income Tax threshold be increased as follows:
  - a. July 1, 2009 – December 31, 2009 (from \$220,272.00 to \$320,736.00)
  - b. January 1, 2010 (from \$320,736.00 to \$441,168.00)
- b) There are currently 323,000 persons on the PAYE system. The movement of the threshold to \$441,168.00 will result in 132,000 persons falling outside of the tax base.

**Estimated revenue loss - \$5,202 million.**

#### 3. *Income Tax - Increase in the Threshold for Pensioners*

a) It is proposed that the annual Income Tax thresholds for Pensioners be increased from the current \$45,000 to \$80,000 for the respective age groups effective July 1, 2009. (Currently \$220,272 for those aged less than 55 years; \$265,272 for those aged between 55 and 65 years; and \$310,272 for those aged above 65 years). This option will result in an additional 4,500 pensioners falling outside the tax net.

- b) The new threshold for those pensioners would be:
  - i. Aged 55-65 years - \$400,736.00, up from \$265,272.00
  - ii. Over 65 years - \$480,736.00, up from \$310,272.00

**Estimated revenue loss - \$128 million**

#### 4. *Reduction in Rates of Stamp Duty and Transfer Tax*

a) It is proposed that the rates of Stamp Duty and Transfer Tax be reduced to 3% and 4% respectively, down from 4.5% and 5% respectively.

The Honourable House of Representatives is asked to note that since 2008 the Stamp Duty and Transfer Tax have been reduced by almost by 50%. This is aimed at assisting in stimulating the real estate market.

**Revenue loss estimated at \$644 million. Effective January 1, 2010.**

**5. *Removal of Personal Income Tax Preferences – i.e., Accommodation Benefit, Gratuities and all other tax free allowances***

a) It is being proposed that all allowances be brought into the Income Tax net at the full rate of 25%. Currently, the accommodation benefit is taxed at 15% with the landlord being required to account for the additional 10%. This has posed significant administrative issues, as Tax Administration has challenges in verifying the amounts.

As it relates to the tax free gratuity for the hotel sector, it is to be noted that currently these workers enjoy a maximum threshold of \$470,272.00. The proposal is that these persons continue to enjoy the maximum rate until the general threshold is similar, after which the general threshold will apply to all persons.

**Revenue yield estimated at \$1,200 million. Effective date July 1, 2009.**

**6. *Imposition of GCT on Telephone Instruments***

a) It is being proposed that the 20% rate of GCT which now applies to telephone calls be also levied on the importation and sale of telephone instruments.

**Revenue yield estimated at \$736 million. Effective date April 27, 2009.**

**7. *Reform of General Consumption Tax***

a) It is being proposed that the General Consumption Tax (GCT) Act be the main area of reform in this phase. In an effort to broaden the tax base and reduce the administrative issues being experienced, the number of items listed as exempt will be reduced as per attached list. The rate of GCT will remain at 16.5%.

**Estimated revenue yield - \$7,500 million for both border and local activities. Effective date April 27, 2009.**

**8. *Increase in the Special Consumption Tax on Petrol***

a) There has been no increase in the taxes on petrol since 1999. In addition the ad valorem component of the tax on fuel remains frozen also since 1999. Given the current cost of maintaining the road network, it is being proposed that an additional \$8.75 per litre be imposed on the Special Consumption Tax component of tax on petrol. In addition, the Customs User Fees (CUF) on imported finished petroleum products, excluding that

imported under the PetroCaribe Agreement will be increased to 5%. The ad valorem component would remain frozen.

**Estimated revenue yield - \$13,328 million. Effective April 27, 2009**

**9. *Imposition of Withholding Tax on Dividends***

a) The Honourable House of Representatives may recall that as part of the Stimulus Package that was announced in December 2008 by the Honourable Prime Minister, it was agreed that all non-resident shareholders of listed companies in Jamaica will be subject to withholding tax on dividend at 33 $\frac{1}{3}$ %.

**Estimated revenue yield - \$1,341 million. Effective July 1, 2009**

Audley Shaw, MP  
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