

## Tax Reform

The Government of Jamaica in collaboration with its multilateral partners have committed to a broader tax reform to be implemented over the medium term.

Historically, the tax system has been characterised by narrow tax bases, distortionary waivers and non-standard incentives which assisted in creating an inequitable tax system with declining revenues (i.e. fiscal deficit). The reform initiatives will seek to broaden the taxable base, reduce tax rates and promote tax equity and economic growth in the economy, within the context of the Economic Reform Programme. Additionally, the reform will seek to simplify the tax system by promoting efficiency in Tax Administration Jamaica (TAJ) and the Jamaica Customs Agency (JCA) and the ease of doing business in Jamaica.

## The Pillars of the Tax Reform

It is accepted that some of the pivotal functions of any tax system is to garner resources to fund the government's recurrent budget whilst fostering an environment which promotes economic growth and development. Currently, the Government of Jamaica (GoJ) provides for revenue generation through direct taxes on income and indirect taxes on consumption.

The GoJ is committed to the following principles of an effective tax system:

- a) ***Simplicity and Transparency*** – thereby ensuring that it will become easier for tax payers to comply in filing and paying taxes; and increase the effectiveness of tax administration.
- b) ***Fair and Equitable Taxation*** – to the extent that people earning higher income would actually pay a greater proportion of their income in taxes. Additionally fair application of tax treatment, whereby similar taxpayers and/or taxpaying activities are treated/taxed at the same rate.
- c) ***Broadened Base with Lower Rates*** - It should have minimum non-standard tax rates (with limited exceptions) as possible, thereby ensuring simplicity.
- d) ***Dynamic and in keeping with GoJ Medium Term Tax and/or Fiscal Initiatives*** - the tax system should be dynamic to meet the changing economic realities, whilst ensuring it enhances the comprehensive economic mandate of Government to improve the economy and the standard of living.
- e) ***Maintain Revenue Adequacy***- by meeting the revenue needs of the budget.
- f) ***Facilitatory*** - as it should facilitate savings, increased investments and the business environment to enhance productive efficiency and economic growth

Further information can also be obtained from Tax Administration Jamaica's website. <http://www.jamaicatax.gov.jm/>

## Enactment of new legislation in support of the tax reform

Some of the legislation that has been enacted in support of the Tax Reform includes:

1. The Omnibus Incentive Legislation (also referred to as OIL), provides for comprehensive amendment to the incentive regime, aimed at ensuring a standardized non-sector specific incentives, which incentivize both the use of capital and labour in the productive sector of businesses in Jamaica.

The amendments were effected through the following enactments, which were passed in December 2013 and came into effect 1 January 2014:-

- a. ***The Fiscal Incentives (Miscellaneous) Act, 2013 (FIA)***, standardized the incentive regime, whereby with its introduction, the government ceased granting incentives under 'legacy' incentive legislation and commenced granting tax incentives under this current Act FIA. You may view the Act here: [The Fiscal Incentives \(Miscellaneous Provisions\) Act 2013](#)

### Benefits provided as per the FIA

- **Employee Tax Credit** - , businesses that employ workers and have statutory expenditures by virtue of the number of persons employed would be allowed to claim a tax credit equivalent to 30% of the aggregate of statutory deductions (i.e., Education Tax, HEART Trust, NIS, and NHT). This would assist in reducing the associated business cost, particularly, labour intensive operations. It should be noted that the income on which ETC is calculated on the operating income of the firm and no other income (e.g., passive income such as investment income). Also, entities MUST be tax compliant in every regards for the incentive to be accessible.
- **Reduced Corporate Income tax (CIT) for unregulated companies** at a rate of 25%, which may be further reduced by the application of the ETC to as low as 17.5%. Regulated companies will continue to at the rate of 33 1/3%.
- **Modernized capital allowance regime**, which provides for simplified depreciation calculation by utilizing the straight line basis rather than the reducing balance. The regime also now accounts for intangibles such as intellectual property and research and development.
- **Revised provisions governing the utilization of tax losses**
- **Reduction and/or Removal of import duty** – in respect to raw materials and select intermediary goods used for production of goods and/or internationally traded services. The extent of these benefits is further detailed in the companion legislative changes to the Stamp Duty Act and the Customs Duty Act – which is further discussed below.

## Repealed incentive enactments (i.e. Legacy Incentives Laws)

With the enactment of the FIA, the following incentive legislations were repealed with effect from January 01, 2014:

- The Cement Industry (Encouragement and Control) Act
- The Export Industry (Encouragement) Act
- The Foreign Sales Corporation Act
- The Hotels (Incentives) Act
- The Industrial Incentives Act
- The Industrial Incentives (Factory Construction) Act
- The International Finance Companies (Tax Relief) Act
- The Motion Picture Industry (Encouragement) Act
- The Petroleum Refining Industry (Encouragement) Act
- The Resort Cottages (Incentives) Act
- The Shipping (Incentives) Act

Additionally, the Income Tax Act was amended to remove the incentive provisions pertaining to approved farmers.

Under the FIA, certain relief from GCT that was available to beneficiaries under repealed tax incentive legislation has been terminated as of January 01, 2014. Previously, the GCT Act accorded a zero-rated status to imported items that were exempt from customs duty pursuant to the repealed legislation.

***It should be noted that no new approvals will be granted under these legacy incentives on or after January 01, 2014.***

Persons who were granted approval under any of the above legacy incentives before January 01, 2014 (continuing beneficiaries) shall continue to be entitled to the benefits afforded under that legacy incentive until they expire. However, such persons may elect to forgo their remaining entitlement under that legacy incentive in order that they may benefit under the FIA.

## Incentive enactments retained

The following incentives, however, have been retained:

- The Jamaica Export Free Zones Act
- The Income Tax Act (Junior Stock Market Companies)
- The Bauxite and Alumina Industries (Encouragement) Act
- The Urban Renewal (Tax Relief) Act
- Income Tax provision for the Junior Stock Exchange

Persons who have been granted approval under these incentive programmes will continue to benefit under the current tax regime or may choose to graduate to the incentives under the FIA.

**b. *Large scale and pioneering projects***” will receive special treatment. This will be governed by particular rules and a parliamentary approval process, rather than solely on ministerial discretion. To view the Act visit: [the Income Tax Relief Act \(Large Scale Projects and Pioneer Industries\) Act 2013.](#)

**c. *Additional Stamp Duty (ASD) Reform*** – The ASD is a market protection tax, particularly in relation to agricultural items. It also includes items such as extrusions, wines, liquors.

The reform provides for additional benefit in this area. The allotted benefit is based on the type of good being imported, and is therefore broken down into consumer and non-consumer goods. The benefits are noted as follows:-

- i. **Non- consumer goods would be provided at a rate of 0%** (based on the applicability in the Stamp Duty Act.
- ii. **Proposed that the relief to goods (other than those used as productive inputs in areas such as agriculture/manufacturing), as per the Appendix B of the Stamp Duty Act would be retained.** Examples included are goods imported from CARICOM or goods used by Government.
- iii. **Reform of the current mechanism to deal with the treatment of goods used in the productive inputs (for agriculture, manufacturing etc.)** – relief would be provided for raw materials, intermediate goods, consumables or packaging materials that used directly in the production of primary products or the manufacture of goods. The system will differ as the relief will not be broadly applicable – as some goods will be ineligible or eligible for partial relief, based on the availability within the local market. This process is to be managed through **the Fiscal Incentives Linkages Committee**
- iv. **Designation of Non-Consumer goods for relief** – This is recommended for goods that the Minister is satisfied as being used primarily by the intended beneficiaries, the relief may be granted to any importation of said product. The relief would be across the board and remove the discrimination in terms of the importation by the producer/manufacturer.
- v. **In respect to the inadequacy of supply, relief is to be granted in respect of listed goods imported during a temporary period.**

To read more visit: [Stamp Duty \(Amendment of Schedule\) Order Resolution, 2013;](#)  
[and](#)

**d. *Customs and Tariffs Revision*** - Efforts have been made at standardizing the duty rates and provide statutory concessions to the productive sector.

- i) **Reduce CET to Aggregate import duties** – For agricultural imports tariff rates at or below 40% have generally been reduced to the default rate of 20 percent, however, in exceptional cases, the CET rates above 50% would be maintained (poultry, milk and cream, including milk powder, and vegetables). In an effort to reduce the rate disparity between similar

goods, some items that were previously 0% have been increased to 5%. This should assist in reducing the anomalies for misclassification of goods.

- ii) Productive inputs would be 0% (depending on what is allowable by CARICOM).** Non-consumer goods have been largely reduced to 0%. A rate of 0% has been applied to consumer items and intermediary goods used in the productive process for manufacturing and primary producers (agriculture) through the Productive Inputs Relief (PIR regime). Tourism Accommodation and Attractions sectors, Creative Industry and Healthcare sectors are provided duty relief on a specified list of items. The concession provided under the PIR is still subjected to the constraints of the CARICOM Treaty. **To view the act visit [the Customs and Tariffs Revision \(Amendment\) Order Resolution, 2013](#)**

- 2. The Charities Act, 2013** has implemented a mechanism for the regulation of charitable organisations by a single authority and has established a comprehensive legal and institutional framework for that purpose.

The government has ceased the granting of waivers to charities other than under the new legislation. With effect from 24<sup>th</sup> December 2013, all charitable organisations must be registered under the new regime in order to be eligible for exemptions granted under the Act. A transitional period of six months was provided for organizations that were organized or operated for charitable purposes before the new legislation came into force to continue receiving tax benefits under the Charitable Organizations (Tax Harmonization) (Miscellaneous Provisions) Act, 2013. Organizations that are not registered under the new Charities Act will cease to be considered a registered charities entitled to tax benefits. To read more visit [The Charities Act, 2013](#)

To start the registration processes in becoming a registered charity make contact with the Registrar for Cooperative and Friendly Societies or visit <http://dcfsjamaica.org/>

- 3. The Tax Collection Act** – seeks to make provision for formulation of a ranking system in accordance with which the Commissioner General of Tax Administration Jamaica and the Commissioner, Jamaica Customs Agency will have the power to determine whether arrears of taxes, as well as the penalty thereon, are uncollectible and give the Minister power to write-off such arrears and penalties upon the Commissioner General and Commissioner of Customs, having determined that the arrears and the penalty thereon are uncollectible.

To view the Act visit: [Tax Collection Act \(Amendment\) 2013, and attendant Regulations](#)

- 4. General Consumption Tax-** the Government of Jamaica continues the drive to widen the tax base in an effort to create an efficient tax system whilst reducing the applicable rates, provided sufficient revenue performance. In an effort to widen the base the government is seeking to widen the range of goods and services subject to the tax by reducing the level of zero rating through subjecting government purchases to GCT.

## Tax Relief

The Tax Relief Unit processes on a daily basis applications for relief across the various tax types, e.g. Custom Duty and General Consumption Tax. The unit also processes applications for the 20% duty concession available to travelling officers in the Public Service.

It should be noted however that the Government of Jamaica, in collaboration with its multilateral partners, has drastically reduced the incidence of discretionary waivers.

A discretionary waiver is being defined as one that requires the Minister of Finance to utilize his power (under the various acts) to waive all or a portion of duties and taxes imposed on a taxpayer/importer.

The curtailment of these waivers has been achieved largely through the creation of the Charities Act and the Fiscal Incentives Act. As a result of the passage of these legislations, requests that would have fallen in either of these categories cannot be processed under the current cap.

Waivers now account for a smaller revenue loss.

We continue to process 20% motor vehicle duty concessions provided to travelling officers in the public service as per the Customs and GCT Acts.

[http://www.mof.gov.jm/sites/default/files/docs/Concession\\_APPLICATION\\_FORM.pdf](http://www.mof.gov.jm/sites/default/files/docs/Concession_APPLICATION_FORM.pdf)

[http://www.mof.gov.jm/sites/default/files/docs/Concession\\_CIRCULAR.pdf](http://www.mof.gov.jm/sites/default/files/docs/Concession_CIRCULAR.pdf)

### Selected Research Publications by Taxation Policy Division Staff

#### **“Property Tax Performance in Jamaica” (2014)**

**Abstract:** Jamaica’s property tax is an important revenue source for local government operations. Nonetheless, there are challenges in the local property tax system. The major contribution of this paper is to provide inferential and descriptive analyses of the performance of Jamaica’s property tax over the period 1993 to 2013. Our findings revealed that the property tax has performed satisfactorily in terms of revenue yield in real terms. Additionally, we examined the revenue responsiveness of the property tax as well as the tax in an international context. Hitherto, this was an under-explored issue and our research attempts to fill this gap. **JEL no. H20; H71**

*Keywords:* property tax; effective tax rate; tax compliance; tax elasticity

#### **“Impact of Jamaica’s General Consumption Tax on Final Consumption Expenditure” (2014)**

**Abstract:** Consumption taxes are effective ways of raising revenue for governments across the world. This is evident in the case of Jamaica, as its General Consumption Tax has been a vital source of revenue since its implementation. Despite being a good generator of revenue, hitherto, the impact that the tax has had on consumption is virtually unknown. Consequently, this study provides a comprehensive analysis of the impact of Jamaica's general consumption tax on final consumption expenditure. In line with similar empirical studies on value added taxes, our analysis revealed that the GCT had a negative and significant influence on consumption expenditure. **JEL no. H21, H27**

*Keywords:* value added tax, general consumption tax; final consumption; VAT revenue ratio;

#### **"Tax Structure Turbulence in Jamaica" (2014)**

**Abstract:** Jamaica's tax structure has evolved over decades. In this note, to the best of our knowledge, we present original estimates of Jamaica's tax structure turbulence (i.e. the degree to which a country's tax structure changes from one year to the next) for the period 1995-2013. Our preliminary findings show that not only did the country's turbulence index declined overall during the period but approximately 3.5 per cent of the country's total tax revenue was "shifted" to other tax instruments annually.

*Keywords:* tax structure turbulence; indirect taxes; direct taxes

#### **"Dissecting Jamaica's Value Added Tax" (2014)**

**Abstract:** Value added taxes have become immensely popular since their first implementation over half a century ago. Despite their pervasiveness, there is a relative paucity of empirical evidence that explores in detail, the efficiency of a value added tax for a specific developing country. The major contribution of this paper is three-fold: Firstly, by applying a newly developed technique, it dissects Jamaica's value added tax for the first time to the best of our knowledge, in order to ascertain the major contributors to its revenue performance. Secondly, it presents relatively rare empirical panel data evidence on the determinants of value added tax performance in Latin American and Caribbean countries over the period 2006-2012. Finally, we examine Jamaica's value added tax in an international context and suggest some policy recommendations for enhancing the efficiency of the country's general consumption tax system. **JEL no. H21, H25, H83**

*Keywords:* value added tax; collection efficiency; VAT revenue ratio; tax productivity; tax compliance; panel data

#### **"Corporate Income Tax Revenue: Why So Erratic?" (2013)**

**Abstract:** This note attempts to highlight *inter alia* various reasons the corporate income tax revenue is generally very difficult to predict. As the note mentions in passing, this is not something that is unique to Jamaica, but rather an inherent problem for forecasters globally based on the nature of the particular tax type involved.

*Keywords:* corporate income tax; volatile; forecasting; taxable income; losses carried forward;

#### **“Tax Revenue Instability in Jamaica Explored” (2013)**

**Abstract:** The relative stability of a country’s tax revenue is a critical factor which affects its development. Consequently, it is important for the tax authorities to periodically assess how stable is the government’s tax revenue stream and the possible impact of such volatility on government spending and the overall budgetary and planning process. In this vein, a major objective of this research is to assess for the first time to our knowledge, the level of revenue instability in the Jamaican tax system. Despite the possible adverse implications of massive fluctuations in the tax revenue (including an inability to meet its expenditures adequately), hitherto, the issue of tax revenue instability was unexplored in the Jamaican context. Additionally, we provide another potentially useful contribution by ascertaining how diversified the country’s revenue structure is. This analysis should be useful to local policy-makers bearing in mind that a diversified revenue structure contributes significantly to achieving stable tax revenues. Our preliminary findings indicate that while the total tax revenue was stable over the period 1996-2012, the situation was mixed for the individual the tax types. Finally, after computing a version of the Hirschman-Herfindahl index of revenue diversification, our estimates corroborate the conjecture that Jamaica’s tax structure is fairly diversified. **JEL no. H20, E32**

*Keywords:* tax instability; tax elasticity; diversification

#### **“Tax Capacity, Tax Effort and Tax Gap in Jamaica” (2012)**

**Abstract:** Raising tax compliance has been a serious challenge for the Jamaican authorities for decades. While significant efforts have been made to ensure that tax compliance continues to rise, achieving this objective is difficult. Identifying the tax capacity of the Jamaican tax system is important based on the fact that this would help tax authorities to ascertain the potential revenue that remains uncollected. Furthermore, knowledge of a related concept i.e. the tax effort, would give an indication of the level of burden that Jamaican taxpayers face relative to other countries with similar tax handles. Consequently, this research is attempts to estimate the tax capacity of the Jamaican economy in addition to the country’s tax effort. Using 1990-2010 panel data for some 22 countries our results indicate that Jamaica’s tax capacity ranges roughly from 16.8 per cent to 18.9 per cent. Additionally, the country’s tax effort value is generally greater than one. This tentatively suggests that on average, Jamaica is collecting more in taxes relative to other Latin American and Caribbean countries with similar tax handles. **JEL no. H26, H29**

*Keywords:* tax capacity; tax effort; tax gap; tax morale



**“Revenue Performance and Instability of Jamaica’s General Consumption Tax” (2012)**

Abstract: The General Consumption Tax (GCT) is a pivotal source of revenue for the Jamaican Government since its inception. This paper presents a comprehensive analysis of the performance of the GCT with particular emphasis being placed on fiscal year 2010/2011. Two major contributions of this study are as follows: Firstly, we present and analyse for the first time, GCT revenue instability indexes and secondly, we provide a rough estimate of the revenue-maximizing GCT rate by compiling a GCT Laffer curve. Our findings suggest that despite the fact that the standard GCT rate had slightly exceeded its optimal level, the GCT revenue has performed creditably (in both real and nominal terms) over the years partly due to sporadic discretionary policy actions. **JEL no. H24, H30**

*Keywords:* General consumption tax; value added tax; tax buoyancy; tax elasticity; tax instability

### **“Personal Income Tax Performance in Jamaica” (2011)**

**Abstract:** The Personal income tax (PIT) is a vital source of revenue for Jamaica. Consequently, a detailed examination of the performance of this tax is warranted. Our analysis revealed that during the period 1996 to 2010 revenue from the PIT continued on an upward trend in real terms. Inferential and descriptive techniques indicated that the PIT revenue performed relatively well with significant increases reflected throughout the review period. Moreover, measures of revenue responsiveness, including the buoyancy and elasticity of the tax were also computed. We also supplemented our analysis by computing for the first time, the productivity of the PIT in order to shed light on how well the income tax performed in terms of revenue production. **JEL no. H24, O54**

*Keywords:* personal income tax; tax elasticity; tax buoyancy; tax productivity

### **“Tax Incentives and Jamaica’s Agriculture Sector” (2011)**

**Abstract:** The Jamaican Agriculture Sector has undergone many challenges over the years. Nonetheless, the Sector’s contribution towards inter alia employment and food security is invaluable to the Jamaican economy. So important is the Sector that the Government’s continuous intervention in the business of Agriculture is arguably justified. In this research, we adopt a “cost-benefit” analysis to quantify for the first time Jamaica’s Agriculture Sector fiscal revenue yield *vis-à-vis* the incentives granted. Our results reveal that Government granted more incentives to the Sector compared with the amount of taxes collected. This is surprising based on the fact that relative to other selected Sectors in the real economy, the Agriculture Sector contributed the lowest tax revenue. **JEL no. N50**

*Keywords:* agriculture Sector; tax incentive; tax revenue

### **“Estimates of Tax Expenditures for Jamaica, 2007-2009” (2011)**

**Abstract:** Governments have voluntarily foregone tax revenues for decades. In this research, we provide estimates of tax expenditures for the major tax types in Jamaica for the period 2007-2009. Using detailed tax returns and national accounts data, we find evidence overall that these expenditures vary widely among the major tax types. Nonetheless, an important caveat is that some of our estimates were mainly based on data of varied quality and as such, these findings should be viewed as suggestive, if not tentative. **JEL no. H20**

*Keywords:* tax expenditure; tax type

### **“Tax Incentives and the Jamaican Telecommunications Sector” (2009)**

**Abstract:** The Jamaican Telecommunications sector has undergone significant transition over the past decade. Its contribution towards infrastructural and commercial development in the Jamaican economy is second to none. Using a “cost-benefit” analysis, this research quantifies for the first time the net benefit of Jamaica’s telecommunications sector in terms of its fiscal revenue yield *vis-à-vis* the incentives granted. Our results show that despite the granting of various tax incentives to the sector, the government has benefited overall based on the net tax revenue earned from telecom activities.

*Keywords:* telecommunications sector; tax incentives; tax revenue

### **“Estimates of Tax Compliance for Jamaica” (2010)**

**Abstract:** People have successfully evaded taxes for decades. In this research, we examine the longstanding issue of tax compliance in Jamaica. Using detailed individual tax returns data, we find evidence overall that compliance varies widely among the major tax types and is typically higher for indirect taxes. **JEL no. H26**

*Keywords:* Tax compliance; tax-gap; tax avoidance; informal economy; tax morale; tax evasion; tax amnesty

### **“Tax Incentives and the Jamaican Tourism Sector” (2010)**

**Abstract:** The Jamaican tourism sector has experienced admirable growth in recent years. Government has recognized the Sector’s importance of the economy and as such has conducted various initiatives to stimulate the tourism business. Furthermore, the Sector’s contribution towards infrastructural development as well as earning foreign exchange for the Jamaican economy is second to none. Using a ‘cost-benefit’ analysis, this research quantifies the net benefit of Jamaica’s tourism sector in terms of its fiscal revenue yield *vis-à-vis* the incentives granted. Our results show that despite the granting of various tax incentives to the sector, the government has benefited overall based on inter alia the net tax revenue earned from tourism activities. **JEL no. L83**

*Keywords:* Tourism sector; tax incentives; tax revenue

### **“Revenue Performance of Stamp Duty and Property Transfer Tax in Jamaica” (2009)**

**Abstract:** Despite their small contributions to total Government revenue, stamp duty and property transfer tax remain as elements of the Jamaican tax system. This study examines the revenue performance of Jamaica’s stamp duty and property transfer tax in recent years. Our analysis indicates that overall there was robust growth in revenue yielded from these taxes during the period 1989-2009 in both nominal and real terms. Finally, we estimate the buoyancy and elasticity of both revenue sources as well as examine these taxes in an international context.

*Keywords:* stamp duty, property transfer tax, buoyancy, tax elasticity

### **“The Performance of International Trade Taxes in Jamaica” (2009)**

**Abstract:** International trade taxes have been a critical source of revenue for many years. This study seeks to examine the performance of Jamaica’s international trade taxes over the period 1989 to 2008. The analysis shows that international trade taxes have experienced robust growth over the period, in both nominal and real terms. The research also attempted to estimate the buoyancy and elasticity of this revenue source as well as outlined some fiscal implications of several factors that have compromised the revenue yield.

*Keywords:* international trade taxes; border tax evasion and avoidance; revenue

Buoyancy; elasticity

### **Corporate Income Tax Performance in Jamaica” (2008)**

**Abstract:** Corporate income taxes have been a reliable source of government revenue for decades. This paper presents an extensive analysis of the revenue performance of Jamaica’s corporate income tax (CIT) in recent years. Using descriptive and inferential techniques, we find evidence suggesting that the CIT has performed unsatisfactorily in terms of revenue yield in real terms. Another primary contribution of the research is that it estimates the revenue cost of corporate tax incentives in the context of a developing country. This has been a relatively neglected area in the public finance literature and our research attempts to bridge this gap. **JEL no. H25, O54**

*Keywords:* corporate income tax; tax elasticity; tax incentives

**“Marginal Intra-Industry Trade: The Case of Jamaica’s Trade with CARICOM Countries” (2008)**

[Published in the *International Trade Journal*, Vol. 22, No. 4, pp. 415-456].

**Abstract:** Of the dearth of empirical studies on marginal intra-industry trade, there is a relative paucity of empirical evidence involving developing countries. The major contribution of this article is twofold: Firstly, it measures to our knowledge for the first time the extent of Jamaica’s marginal intra-industry trade with CARICOM. This study is warranted bearing in mind that Jamaica’s involvement in recent integration efforts with CARICOM will have adjustment costs implications. Secondly, we compare the performance of various Jamaican export sectors with their CARICOM counterparts. The article concludes by proposing some recommendations for policy makers to ensure smoother functioning of the Jamaican labour market. **JEL no. F1, O54**

*Keywords:* Intra-industry trade; marginal intra-industry trade; adjustment costs, smooth adjustment hypothesis.

**“The Nexus between Tax Structure and Economic Growth in Jamaica” (2008)**

**Abstract:** This study examines the impact of the tax burden and the general tax structure on economic growth in Jamaica for the period 1989-2006. After controlling for various determinants of growth, our results indicate that the CIT and PAYE had no impact on economic growth, while the effect of the GCT was positive albeit fragile. Our findings also show that there is no evidence to support the argument that the average tax burden was growth retarding. Nevertheless, the research lends support to the calls for a rebalancing of the Jamaican tax system towards more indirect forms of taxation.

*Keywords:* economic growth; tax structure; tax mix; tax burden

**“Jamaica’s Labour Productivity Re-Visited” (2008)** [Published in the *Labour Market Information Newsletter*, Issue 55, pp. 9-16, Planning Institute of Jamaica, January]

**Abstract:** The compilation and dissemination of internationally comparable labour productivity indicators have become a topical issue in recent years. This paper presents a comprehensive analysis of the performance of Jamaica’s labour productivity vis-à-vis selected countries. Overall, based on our estimates, we find evidence suggesting that although Jamaica’s labour productivity is relatively low compared with some major trading partners, the country has registered labour productivity growth during the last two decades. Computation of internationally comparable labour productivity has been a relatively unexplored matter in Caribbean countries and our research contributes to filling this gap. **JEL no. J24, O4**

*Keywords:* labour productivity; unit labour cost; KILM

### **“Should Jamaica Adopt a Comprehensive Flat Tax?” (2008)**

**Abstract:** Since the mid-1990s, several countries, especially in Eastern Europe, have adopted so-called “flat taxes”. In this note, we examine the rudiments of a flat tax while mentioning a few countries that have introduced such a tax. These and other issues are explored in this research with particular emphasis placed on Slovakia; a rare country to have embraced a comprehensive flat system and appears to have reaped some level of success.

*Keywords:* comprehensive flat tax; exemptions; Eastern Europe

### **“Revenue Performance of Jamaica’s Consumption Taxes” (2007)**

**Abstract:** Consumption taxes have been reliable sources of government revenue for decades. This paper provides a comprehensive analysis of the revenue performance of Jamaica’s consumption taxes, with particular focus being placed on the general consumption tax (GCT). Overall, using descriptive and inferential analyses, we demonstrate that despite the presence of multiple rates levied on some products that make the tax unnecessarily complex to administer, the GCT has performed well since its introduction. Another primary contribution of the research is that it measures the buoyancy and elasticity of consumption taxes in the context of a developing country using recent data. This has been a relatively under-researched area in the public finance literature and our research contributes to filling this gap. **JEL no. H24, H30**

*Keywords:* general consumption tax; VAT; tax buoyancy; tax elasticity

### **Research on Jamaica’s Trade Performance with CARICOM and Other Countries via Free Trade Agreements, 2003 to 2012.**

Abstract: Trade is the lifeline of the Jamaican economy. The primary objective of this research is to evaluate the trade performance of Jamaica with CARICOM and other trading partners with which there is a Free Trade Agreement. Our results show that exports from Jamaica to some of our traditional markets have decreased in recent years, but Jamaica has explored untraditional markets, especially in Europe, as facilitated by the free trade agreement. Also, the country has been increasing exports to the CARICOM Member States. However, unlike the experience of CARICOM and the European Union, the Agreement with Latin America does not yield similar results as our report shows that exports to Latin America is insignificant while the imports to Jamaica has been increasing annually.

**Disclaimer:** The authors are solely responsible for all the results, errors and omissions in the above publications. Consequently, the views are not necessarily those of the Ministry of Finance and Planning.

### **Implementation of the 2012 Harmonization System of Classification (2014).**

The Harmonized System of Classification (HS) is regarded as the “common language of International Trade”. The HS is the World Customs Organization’s (WCO) international multipurpose product nomenclature used as the basis for Customs Tariffs and the collection of international trade statistics. The WCO is responsible for the HS and revises the system at regular intervals to ensure that it reflects changes in technology or in patterns of international trade. Consequently, this 2012 version replaced the then existing 2007 version.

### **Reformed the Common External Tariff (CET) rate structure (2014).**

Recognizing the need to safeguard the revenue and encourage economic development, the CET rate structure was rationalized and simplified subject to our CARICOM obligations. The Government of Jamaica (GoJ) showed its indiscretion towards opportunities for misclassification and disingenuity by reducing tariff dispersion, reducing high rates to converge to a standard maximum rate of 20 percent and increasing selected rates levied on a number of goods from zero to 5 percent. In addition, while maintaining compliance with the CARICOM tariff regime, import duties on essential inputs for domestic producers were reduced to a zero rate.

### **Implementation of Free Trade Agreements (FTA)**

- CARIFORUM/ EC Economic Partnership Agreement (2013)
- CARICOM/ Cuba Economic Cooperation Agreement (2014)
- CARICOM/ Costa Rica Free Trade Agreement (2014)
- CARICOM/ Dominican Republic Free Trade Agreement (2014)
- CARICOM/Colombia Free Trade Agreement (2000)
- CARICOM/Venezuela Free Trade Agreement (2000)

The implementation of the various FTAs allows Jamaica to access the market of the relevant trading partners by either not having to pay the associated customs duties or pay at a reduced rate as per the terms of the agreement. Likewise, a concessionary rate of duty will be applicable to selected goods entering Jamaica.

### **The Unit is currently participating in the ongoing CARICOM/ Canada negotiations**

CARICOM currently has a non-reciprocal trading arrangement (CARIBCAN) with Canada that allows member states to export certain goods without paying the applicable duty. However, this arrangement expired in December 2013 but Canada using its discretion has not removed the arrangement from its legislation. The CARICOM/Canada agreement, though reciprocal, is

expected to supplant this non-reciprocal trading arrangement and cover a wider scope of trade activities.

#### **Computation of Tax Expenditure Estimates on Border Taxes.**

As part of a wider exercise to capture the revenue foregone due to deviations in the tax code, the Unit computes the tax expenditure associated with border taxes on an annual basis. This exercise which commenced in 2010 provides critical information to the Government of Jamaica as to the areas that have been given support and where curtailment can be considered.

#### **Process all applications relating to the suspension of the Common External Tariff (CET)**

Extremely important to the productive sector, the GoJ process the request for a suspension of the CET when selected goods are sourced extra-regionally. CARICOM has established a CET regime which requires selected goods to be sourced from within the region to encourage the use of the regional market. However, if the regional market is unable to provide such supplies, Article 83 of the Revised Treaty of Chaguaramas allows the producer to source the goods extra-regionally without the payment of duty. The process involves an application for the suspension of the applicable duty to the Ministry of Industry, Investment and Commerce (MIIC), who in turn forward same to the Council for Trade and Economic Development (COTED). The COTED would deliberate and approve the application, if satisfactory, and return same to the Ministry of Industry, Investment and Commerce (MIIC) who would further submit the approved application to the Ministry of Finance and Planning (MOFP) for final processing.