

HMF STATEMENT TO PARLIAMENT

OMNIBUS TAX INCENTIVE LEGISLATION

September 24, 2013

- The Memorandum of Economic & Financial Policies that was agreed with the IMF and laid in the House of Representatives in May 2013, indicated that the Government of Jamaica is under a commitment to lay in this House by September, 2013, a Bill for the reform of Jamaica's Tax Incentive Regime.
- Since February 2013 an Incentive Working Group (IWG), under the Chairmanship of Mr. Dennis Morrison, has been formulating the terms of the proposed reforms. Other members of the group are the Hon. Shirley Tyndall, Mr. Joseph M. Matalon, Mr. Keith Collister, Mr. Glen Lawrence, Mr. Lloyd Goodleigh and Mr. Chris Bicknell.
- The IWG has met formally with a number of stakeholders and individuals and has received presentations from others who were not able to meet formally.
- The work of the IWG has been guided by previous work on tax reform including key principles, objectives and mandates

embodied in the most recent Green and White papers on Tax Reform, as well as the bi-partisan agreements reflected in the 2012 Report of the Joint-Select Committee on Tax Reform, which I chaired .

- Such key principles include:
 - Streamlining the current complex system of sectorally-based tax incentives
 - Ensuring that the new system of tax incentives enhances/complements the competitive environment for business activity
 - Ensuring new tax incentives are performance-based and growth-focused

- The IWG has also been integrally involved with GOJ discussions with the International Monetary Fund (IMF) and the Inter-American Development Bank (IDB) on tax reform issues within the context of the commitments made under the current Extended Fund Facility (EFF) with the IMF.

- During the recently concluded IMF mission for the First Quarterly Review of performance under the EFF, IMF mission staff positively assessed Jamaica's performance towards meeting the

structural benchmark of tabling a new Omnibus Tax Incentive legislation in Parliament by end-September 2013. However, during the review it was also recognized that there were some unresolved issues of tax incentive design (and tax reform in general) which warranted further discussions between the GOJ and the IMF staff.

- Subsequent to the conclusion of the review mission, these discussions continued with the IMF, and also involved continued close consultation with the IDB. As a result of these post-mission discussions, the technical negotiating team of the GOJ and the IMF/IDB missions arrived at a staff-level agreement on critical outstanding issues on the design of tax reform. However, it was recognized that the finalization of tax incentive proposals, along the lines mutually agreed, would require additional analytical work. In light of these additional requirements, the GOJ and IMF mission staff reached a staff-level understanding that meeting the end-September 2013 deadline for the tabling of relevant tax incentive reform legislation would not be possible nor advisable. The legislation will now be tabled in October. It should be noted that the delay will not impact the expected timeline for effectiveness of the legislation.

- The Government of Jamaica has been assured by the IMF staff that this revised process will not delay the scheduled Board meeting to discuss the completion of the first review, and we are confident that this review will be completed. We are reassured in this position by the fact that the staff of the IMF has circulated the relevant documentation in accordance with the agreed schedule. We expect the Fund staff to make a statement this afternoon regarding the circulation of the documentation.

- **THE MACROECONOMIC AND STRUCTURAL REFORM PROGRAMME OF THE GOJ REMAINS ON TRACK, AND WE ARE CONFIDENT ABOUT THE PERFORMANCE OF THE TARGETS FOR SEPTEMBER 30, 2013 WHICH WILL BE THE SUBJECT OF REVIEW BY THE IMF BOARD IN DECEMBER 2013.**