



# Tax Expenditure Estimates 2008-2010

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Jamaica, West Indies.  
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## **Preface**

This is the second annual tax expenditure statement to be produced by the Ministry of Finance and Planning, Jamaica. A tax expenditure is essentially any provision that results in a reduction of tax for a specific type of taxpayer or activity. The report presents Jamaica's tax expenditure estimates for the major tax types using data for the period 2008-2010. Readers who would like further information on the estimates of tax expenditures (including the methodology used to compute them) should access for example, the "*Estimates of Tax Expenditures for Jamaica, 2007-2009*" reference document on the Ministry of Finance and Planning's website i.e. [www.mof.gov.jm/publications](http://www.mof.gov.jm/publications) .

## **Disclaimer**

The Ministry of Finance & Planning wishes to advise that the tax expenditures described below are presented for five major ‘tax types’ only. These tax types combined, accounted for the majority of Government revenue. The measurement of tax expenditures for the other tax types is outside the scope of this publication due to the fact that attempting to estimate expenditures for those ‘nuisance taxes’ would produce estimates that are outside an acceptable margin of error. It is also important to bear in mind that tax expenditures are not actual outlays as they are estimated based on assumptions as to how taxpayers would behave under certain conditions. In other words, tax expenditures are not amounts that governments actually “spend out of pocket” but rather potential money foregone in tax revenue. Furthermore, the estimated amounts were mainly computed using returns data (of varied quality) submitted by taxpayers. The Ministry of Finance & Planning therefore assumes no responsibility for any disagreement which might result as to what constitutes tax expenditures locally.

## **Introduction**

The tax system is often used as an alternative mechanism to achieve various public policy objectives through *inter alia* the application of special tax rates for various sectors, exemptions, deductions and credits, which affect the respective tax burden faced by various taxpayers. Such utilized measures are typically classified as “tax expenditures” because they achieve policy objectives at the expense of potentially foregone tax revenue for governments. A tax expenditure budget, which essentially provides an overall gathering of the costs of all the above-mentioned provisions, is a useful tax policy planning tool as it helps to identify how much the various exemptions, deductions, etc. are potentially costing the Government annually. A major contribution of this tax expenditure statement is that it includes a compilation of these estimates thereby helping local policy makers to identify and evaluate the respective expenditures with the hope of possible curtailment. Moreover, the tax expenditure statement is useful in the sense that it gives a rough indication of the various expenditures (other than direct spending) that Government expended on various programmes/initiatives through the tax code.

It is important to mention from the outset that what specifically constitutes a tax expenditure is very subjective and as such, the magnitude of tax expenditures varies widely across countries. Nonetheless, the basic approach that is normally used by a researcher to identify and estimate a tax expenditure is to essentially start by defining the ‘normal’ structure of the tax in question before considering any measure/provision in the tax system which differs from some definition as a possible tax expenditure. An obvious problem however is that what constitutes the normal structure of

any tax system is often subject to considerable interpretation. Consequently, what actually represents a tax expenditure can be controversial.

An alternative approach to identifying tax expenditures is to include any measure which results in a reduction of the tax payable by a specific type of taxpayer or activity. However, by utilizing this approach, it is possible to incorrectly include measures that are not traditionally considered to be tax expenditures. A popular example of items that could be incorrectly counted as tax expenditures are exemptions resulting from various international treaties and agreements.

Finally, it is crucial to mention that the tax expenditure estimates presented in this research were solely computed by selected officials from the Taxation Policy Division of the Ministry of Finance & Planning (with kind assistance from the Inter-American Development Bank, the Tax Administration Directorate, Fiscal Services Ltd., the Statistical Institute of Jamaica and the Jamaica Customs Department).

## **Caveats**

Caution must be taken when interpreting the various tax expenditure estimates. This is due partly to several reasons outlined below.

First of all, it is highly misleading to sum different tax expenditures. The problem with adding tax expenditures is that the value of two tax expenditures in isolation might be different than two tax expenditures combined. For example, an import duty exemption reduces the base for the General Consumption Tax (GCT) and would result in a lower cost for GCT expenditures. If one simply summed the cost of the import duty exemption and the GCT exemption, the result would be less than the true total potential revenue impact that would arise from removing both incentives simultaneously (since the removal of the import duty exemption would increase the base, which would potentially result in more GCT revenue). In a similar manner, other interactions might result in a combination of incentives that if simultaneously removed, would result in lower revenue than their individual estimates.

Consequently, **no totals are provided for the tax expenditures by tax type** in any of the tables below, since adding across individual tax expenditures can result in an over-estimation of the potential revenue impact of various combinations of tax expenditures. For example, the tax expenditure estimate for the reduced GCT base for tourism cannot be meaningfully added to the tax expenditure estimate for the lower rate of tax for tourism, as the reduced base estimate uses the reduced rate as the “normal” rate for estimating the value of the expenditure.

Warnings about tax expenditure estimates are so important such that the Department of Finance, Canada and the Australian Treasury for example, specifically state that caution must be taken in interpreting the estimates of tax expenditures due partly to the following:

- The estimates are intended to roughly indicate the potential revenue gain that might be realized by removing the respective preferential tax treatments. They were developed while assuming that the underlying tax base would not be affected by removal of the respective measures. However, this is an assumption that is unlikely to be true in practice as the behaviour of beneficiaries of tax expenditures, overall economic activity and other Government policies could change along with the specific tax provision. **Consequently, it does not necessarily follow that there would be a commensurate increase in tax revenue from the abolition of a particular tax expenditure.** This is based on the possible behavioural responses by the recipients of tax expenditures and overlaps in the coverage of different tax expenditures (*Source: [http://www.treasury.gov.au/documents/1211/PDF/03\\_Chapter3.pdf](http://www.treasury.gov.au/documents/1211/PDF/03_Chapter3.pdf) [accessed March 14, 2011]*).
- The cost of each tax measure is determined separately i.e. assuming that all other tax provisions remain unchanged. However, many of the tax expenditures do interact with each other such that the impact of several tax provisions at once cannot generally be calculated by adding the estimates for each provision. One must note that the standard “revenue-forgone approach” was generally utilized in conjunction with some micro-simulation models to measure the tax expenditures in this research. The revenue-forgone method

essentially involves estimating the potential tax revenues that might have been generated in the absence of a tax expenditure while assuming that the taxpayers' behaviour remained unaltered.

- The tax expenditure estimates presented in this research were computed using the latest available tax returns data. Revisions to the underlying data as well as improvements to the methodology can result in substantial changes to the value of a given tax expenditure in forthcoming publications of tax expenditure estimates.

The above issues obviously apply to the Jamaican context and as a result, the reader should seriously bear these caveats in mind. Finally, it is crucial to define the term “**Reported Net Tax**” (or “Net Tax Payable”) before we formally present our tax expenditure estimates. Reported Net Tax is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit(i.e. when the value is negative). The reported net tax is a critical value which will be included in the forthcoming tables so that one can assess the magnitude of each tax expenditure as a proportion of the total net tax payable. Moreover, it is crucial to note that the “reported net tax” is based on returns data and as such, this figure is not necessarily equal to the actual net revenue collections (which accounts for tax paid for the current period and arrears (including penalties, interests and surcharges)) for a particular tax type.

***Rationale for Presenting Tax Expenditure Estimates on a Calendar Year Basis***

The tax expenditure estimates for Jamaica were computed for the period 2008-2010 on the basis of calendar years and not fiscal years. The major rationale for presenting tax expenditure estimates on a calendar year basis is as follows: Firstly, in Jamaica, taxpayers typically file their returns on a calendar year basis and as such, the tax returns data are based on calendar years (rather than fiscal years). For example, in the case of income tax, all companies, self-employed persons, partnerships, organizations and employed persons who earn additional income are required annually by law to *inter alia* file their income tax returns for the previous calendar year by March 15<sup>th</sup> of the current year.

Secondly (and equally important), as reiterated by international tax expenditure consultant Eric Hutton, tax expenditure estimates are not cash expenditures but rather accrual-based estimates of potential foregone revenues. This is essentially in line with the international best practice of computing and presenting tax expenditure estimates. In fact, because tax expenditure estimates are accrual-based (rather than cash-based), it is illogical to report them on a fiscal year basis, as the fiscal year is essentially a cash construct. Moreover, when reporting on an accrual basis, it is only rational to present the numbers on a calendar year basis, as this was the time period in which the amounts were accrued.

Lastly, it is important to re-emphasize to the reader that unlike the tax expenditure estimates, which are measured on an accrual<sup>1</sup> basis, the estimates in the regular (fiscal) budget are prepared on a cash basis.

### **Estimates of Jamaica's Tax Expenditures**

The following tables present the tax expenditures for the period 2008-2010. The remainder of the paper is organized as follows: First, we present tax expenditure estimates of the Income Tax i.e. the Corporate Income Tax (CIT) and the Personal Income Tax (PIT). Next, we provide estimates of the Education Tax (ET) expenditures followed by the General Consumption Tax (GCT) expenditures, Special Consumption Tax (SCT) expenditures before we conclude with estimates of Jamaica's Trade Tax expenditures.

All the estimates of tax expenditures are expressed in millions of Jamaican dollars i.e. J\$M. A zero value does not necessarily imply that the expenditure was zero but in some cases, represents a minuscule amount (or proportion). A "dash" (i.e. ---) represents a situation where it was either not possible to reasonably estimate the respective tax expenditure based on the available information or where the relevant expenditure did not occur in a particular year. In sum, the tax expenditures that were quantified and presented here are mainly those for which reliable data were available and as such, the list of possible tax expenditures is not necessarily exhaustive.

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<sup>1</sup> The "accrual basis" is a method of accounting in which items are entered as incurred (or earned) regardless of when the actual payments were made (or earned) while the "cash basis" method of accounting involves reporting the expenses (or revenues) only when cash is actually paid out (or received).

### *Income Tax Expenditures*

The tax expenditures for Corporate Income Tax and Personal Income Tax are broken into five categories: Exemptions, Deductions and Allowances, Reduced Rates, Credits, and Waivers and Reimbursements. This categorization is based on the reporting method for each expenditure according to the income tax forms. It should be noted that this categorization may differ from one based on the structure of the *Income Tax Act*; for instance some income tax exemptions are required to be reported as income tax at a zero per cent rate. In particular, expenditures presented for the CIT are compiled separately for Companies and Other Bodies.

The “*Exemptions*” category includes measures which allow for exempting certain categories of income from inclusion in taxable income. This category does not include outright exclusions from the definition of income. Many of the expenditures under this category could not be estimated, as the actual tax return contains no specific line item for the inclusion of the exemption. Taxpayers may be including these exemptions under other line items or not including them in reported income. Some line items contain reporting of more than one exemption; in these cases the joint cost of the expenditures is presented.

The “*Deductions and Allowances*” category includes any deductions from gross income over and above those typically allowable in relation to the costs incurred in the generation of that income, including any special capital cost allowance provisions. Many of the expenditures under this category could not be estimated, as the actual tax return contains no specific line item for the inclusion of the deduction or allowance. Taxpayers may be including these deductions and allowances under other line items or not including

them in reported income. Some line items report more than one deduction; in these cases the joint cost of the expenditures is presented.

The “*Reduced Rates*” category includes any provisions that tax any particular source of income at a rate below the standard rate, or that taxes income for any specific category of taxpayer at a tax rate below the standard rate. This category includes some income tax exemptions that are required to be reported as income taxed at a “nil rate”. The actual tax return does not provide separate line items for reporting of different income by tax rate and consequently, no estimates are currently available for these expenditures.

The “*Credits*” category includes any measures which allow for a reduction in gross tax owing, apart from credits for taxes already paid, including tax credits for foreign tax paid as provided for under an international tax agreement. There are no specific line items for all credits making it difficult to ascertain the exact value of some tax credits; the value of the expenditure could be already accounted for under the line item for “other credits”.

The “*Waivers and Reimbursements*” category includes any reductions in tax payable allowed for post-filing through a direct waiver from the Ministry of Finance. Please note that the income tax expenditures are reported separately for the PIT and the CIT.

## Corporate Income Tax Expenditures

**Table 1: Corporate Income Tax Expenditures<sup>‡</sup>, 2008-2010**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b><i>Deductions and Allowances</i></b>							
ITA <sup>†</sup> 13(1)(o)	“Covenanted Donations” <sup>a</sup>	301.43	1.57	215.77	0.90	539.56	3.92
ITA 13(1)(q)	Donations to Approved Charities	384.60	2.00	481.68	2.01	299.23	2.18
<b><i>Tax Credits</i></b>							
Various	“Income Tax Relief in Respect of Incentive Income”	2 762.15	14.38	2 411.18	10.06	1 936.60	14.08
Various	“Other Credits” <sup>b</sup>	3 229.63	16.81	3 485.10	14.55	1 794.14	13.04
<b><i>Waivers and Reimbursements</i></b>							
Various	Waivers (excluding waivers on penalties and interest) <sup>c</sup>	17.70	0.09	7.84	0.03	-	0.00
<b>Reported Net Tax</b>		<b>19 213.28</b>		<b>23 958.64</b>		<b>13 754.56</b>	

Source: Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenues shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. <sup>†</sup>*Income Tax Act*. Estimates are for

the respective calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Notes:**

<sup>a</sup> Covenanted donations in this context essentially arise when there is a formal binding agreement for an institution to contribute an amount over time.

<sup>b</sup> The tax expenditures incur because selected taxpayers are entitled to tax credits, which provide them with some relief from the Contractors’ Levy and the Customs User Fee. Additionally, the Government also grants tax relief in the form of an incentive tax credit to investors (individuals or companies), financial intermediaries and developers undertaking capital investments in either land or buildings (whether residential or commercial) in Special Development Areas under the *Urban Renewal (Tax Relief) Act*, for example.

<sup>c</sup> The estimates for waivers tax expenditure were directly provided by the Tax Administration Directorate. These estimates relate specifically to waivers granted in the years 2008-2010. The reader should note that the waiver tax expenditures are presented for the tax year for which the waivers specifically relate to. In fact, the data were extracted by ledger years since it was prudent to identify only the waivers that were used to offset arrears for a particular calendar year. In other words, the ledger year is the period for which a waiver was granted for (rather than granted in). The rationale for doing this is because (as mentioned earlier) tax expenditures are reported on an accrual basis and as such, one should match accrual waivers against such expenditures. It is important to note that a comprehensive amnesty was announced on April 10, 2008 for all tax types as part of Government’s strategy to reduce tax arrears and improve revenue collections. Another amnesty was subsequently announced by the Minister of Finance & Planning on April 23, 2009 geared towards taxpayers who had previously avoided declaring taxes. Finally, it is also worthy to mention that waivers specifically on penalties and interests are not usually considered as tax expenditures and as a result, were excluded. The waiver expenditure values reported in both tables for the CIT expenditures were not disaggregated by CIT category.

**Corporate Income Tax Expenditures (Other Bodies)**

**Table 2: Corporate Income Tax (Other Bodies) Expenditures<sup>‡</sup>, 2008-2010**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b><i>Deductions and Allowances</i></b>							
ITA <sup>†</sup> 13(1)(o)	“Covenanted Donations” <sup>a</sup>	1.53	0.41	1.40	0.53	0.02	0.01
ITA 13(1)(q)	Donations to Approved Charities	37.43	10.16	77.96	29.43	32.95	27.04
<b><i>Tax Credits</i></b>							
Various	“Income Tax Relief in Respect of Incentive Income”	14.87	4.04	25.42	9.60	21.63	17.75
Various	“Other Credits” <sup>b</sup>	16.10	4.37	22.61	8.54	41.25	33.86
<b><i>Waivers and Reimbursements</i></b>							
Various	Waivers (excluding waivers on penalties and interest) <sup>c</sup>	17.70	4.81	7.84	2.96	-	0.00
<b>Reported Net Tax</b>		<b>368.29</b>		<b>264.91</b>		<b>121.83</b>	

Source: Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenues shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. <sup>†</sup>*Income Tax Act*. Estimates are for

the respective calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Notes:**

<sup>a</sup> Covenanted donations in this context essentially arise when there is a formal binding agreement for an institution to contribute an amount over time.

<sup>b</sup> The tax expenditures incur because selected taxpayers are entitled to tax credits, which provide them with some relief from the Contractors’ Levy and the Customs User Fee. Additionally, the Government also grants tax relief in the form of an incentive tax credit to investors (individuals or companies), financial intermediaries and developers undertaking capital investments in either land or buildings (whether residential or commercial) in Special Development Areas under the *Urban Renewal (Tax Relief) Act*, for example.

<sup>c</sup> The estimates for waivers tax expenditure were directly provided by the Tax Administration Directorate. These estimates relate specifically to waivers granted in the years 2008-2010. The reader should note that the waiver tax expenditures are presented for the tax year for which the waivers specifically relate to. In fact, the data were extracted by ledger years since it was prudent to identify only the waivers that were used to offset arrears for a particular calendar year. In other words, the ledger year is the period for which a waiver was granted for (rather than granted in). The rationale for doing this is because (as mentioned earlier) tax expenditures are reported on an accrual basis and as such, one should match accrual waivers against such expenditures. It is important to note that a comprehensive amnesty was announced on April 10, 2008 for all tax types as part of Government’s strategy to reduce tax arrears and improve revenue collections. Another amnesty was subsequently announced by the Minister of Finance & Planning on April 23, 2009 geared towards taxpayers who had previously avoided declaring taxes. Finally, it is also worthy to mention that waivers specifically on penalties and interests are not usually considered as tax expenditures and as a result, were excluded. The waiver expenditure values reported in both tables for the CIT expenditures were not disaggregated by CIT category.

## Personal Income Tax Expenditures<sup>2</sup>

**Table 3: Personal Income Tax Expenditures<sup>‡</sup>, 2008-2010**

Tax Provision	Description	2008		2009		2010 <sup>a</sup>	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b>Exemptions</b>							
ITA 13(1)(i), (u) (j)	Pension Contributions	72.43	2.89	92.74	3.36	88.37	4.30
<b>Deductions and Allowances</b>							
ITA 12(c)(o)	Pension and Old Age Relief	23.65	0.94	28.92	1.05	13.32	0.65
ITA 12(c)(o)	Other Pension Exemptions	14.13	0.56	17.76	0.64	44.07	1.60
ITA 13(1)(o)	“Covenanted Donations”	4.35	0.17	1.67	0.06	1.28	0.06
ITA 13(1)(o)	Donations to Approved Charities	4.74	0.19	12.26	0.44	14.13	0.69

*Source:* Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup> The abolishment of a particular tax expenditure would not necessarily yield the full tax revenues shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Pension Contributions include

<sup>2</sup> These estimates relate specifically to the individual income taxpayers (self-employed) rather than to the PAYE employees who are not usually required to file income tax returns.

contributions to superannuation funds, retirement funds, and other funds approved by the Minister. The deduction ITA 12(c) (which includes income tax exemptions for wound, disability and war pensions and gratuities) is now disaggregated into “Pension & Old Age Relief” and “Other Pension Exemptions”. Estimates are for the respective calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Table 3: Personal Income Tax Expenditures<sup>‡</sup>, 2008-2010 (Continued)**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b><i>Tax Credits</i></b>							
Various	“Income Tax Relief in Respect of Incentive Income”	4.29	0.17	9.94	0.36	5.11	0.25
Various	“Other Credits”	6.60	0.26	11.98	0.43	6.11	0.30
<b><i>Waivers and Reimbursements</i></b>							
Various	Waivers (excluding waivers on penalties and interest)	2.51	0.08	0.32	0.01	-	-
<b>Reported Net Tax</b>		<b>2 506.88</b>		<b>2 760.30</b>		<b>2 054.66</b>	

*Source:* Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenues shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Pension Contributions include contributions to superannuation funds, retirement funds, and other funds approved by the Minister. The deduction ITA 12(c) (which includes income tax

exemptions for wound, disability and war pensions and gratuities) is now disaggregated into “Pension & Old Age Relief” and “Other Pension Exemptions”. Estimates are for the respective calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Note:**

<sup>a</sup> During the 2010 calendar year, temporary adjustments were made to the PIT “flat tax” rate structure transforming it to a more progressive tax system. The marginal tax rates and the associated income brackets that were implemented during the period are as follows: 0 to \$441 168 – zero tax; greater than \$441 168 to less than \$5 000 000 – 25.0 per cent; \$ 5 000 000 to less than \$10 000 000 – 27.5 per cent; and \$10 000 000 and over – 35.0 per cent. These adjustments were factored into the calculations of the personal income tax expenditures.

## **Education Tax Expenditures**

There are three tax expenditures for education tax identified, all provided for under the *Education Tax Act*. While the method for determining the value of these tax expenditure involves a simple extrapolation of data which should be reported on the tax forms, analysis of the tax return data indicates that the data collected are likely not representative. An ‘F’ rating has been assigned to the tax expenditures as a result of the data issues, which typically indicates that either there is insufficient data available to conduct an estimate, or that data issues are such that the margin of error is likely larger than the estimate. In this case, as the data issue is that only an unknown proportion of the tax return data appear to be available, while the degree of accuracy of the estimates cannot be determined, the values provided should represent a minimum value for the costs. Previous Education Tax expenditure estimates for the period 2007-2009, were provided on an aggregated basis. However, for the period 2008 – 2010,

the estimates of expenditure for the Education Tax are now disaggregated by category i.e. education tax expenditures for Individuals, Organizations and Self-Employed. Consequently, the Education Tax expenditure computations for the two respective periods cannot be meaningfully compared. Furthermore, the data for Waivers on penalties and interest were provided on an aggregated basis (rather than by education tax type) unlike in last year's tax expenditure statement.

**Table 4: Education Tax (Individuals) Expenditures<sup>‡</sup> 2008-2010**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b><i>Education Tax Act</i></b>							
7(1)(d),(e)	Exemption from the employers' portion of education tax for parish council and municipal corporations <sup>a</sup>	0.00	0.00	0.00	0.00	0.00	0.00
<b><i>Waivers and Reimbursements</i></b>							
Various	Waivers (excluding waivers on penalties and interest) <sup>b</sup>	0.19	0.00	0.00	0.00	0.00	0.00
<b>Reported Net Tax</b>		<b>100.82</b>		<b>106.06</b>		<b>100.05</b>	

*Source:* Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenues shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. "Reported Net Tax" or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Notes:**

<sup>a</sup> The estimates of education tax expenditures for these years are arguably of little utility because very few returns were then filed and posted for the Education Tax. In recent times however, this problem is no longer a major concern as this issue has been somewhat addressed. For example, employers are now able to file a single monthly payment return rather than several returns. Moreover, filing compliance should improve further in the future with the forthcoming full amalgamation of the payroll deductions. On a separate

issue, the National Insurance Scheme (NIS) for example, is essentially a social security deduction and as such, has no related tax expenditures.

<sup>b</sup> The values reported in the tables for the Education Tax expenditures were not disaggregated by Education Tax category.

**Table 5: Education Tax (Organization) Expenditures<sup>‡</sup>, 2008-2010**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b><i>Education Tax Act</i></b>							
7(1)(d),(e)	Exemption from the employers' portion of education tax for parish council and municipal corporations <sup>a</sup>	0.00	0.00	0.00	0.00	0.00	0.00
<b><i>Waivers and Reimbursements</i></b>							
Various	Waivers (excluding waivers on penalties and interest) <sup>b</sup>	0.19	0.00	0.00	0.00	0.00	0.00
<b>Reported Net Tax</b>		2 100.30		2 471.31		2 344.51	

*Source:* Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenues shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. "Reported Net Tax" or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Notes:**

<sup>a</sup> The estimates of education tax expenditures for these years are arguably of little utility because very few returns were then filed and posted for the Education Tax. In recent times however, this problem is no longer a major concern as this issue has been somewhat addressed. For example, employers are now able to file a single monthly payment return rather than several returns. Moreover, filing compliance should improve further in the future with the forthcoming full amalgamation of the payroll deductions. On a separate

issue, the National Insurance Scheme (NIS) for example, is essentially a social security deduction and as such, has no related tax expenditures.

<sup>b</sup> The values reported in the tables for the Education Tax expenditures were not disaggregated by Education Tax category.

**Table 6: Education Tax (Self-Employed) Expenditures<sup>‡</sup>, 2008-2010**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b><i>Education Tax Act</i></b>							
7(1)(d),(e)	Exemption from the employers' portion of education tax for parish council and municipal corporations <sup>a</sup>	77.74	72.15	89.62	73.46	56.80	73.57
<b><i>Waivers and Reimbursements</i></b>							
Various	Waivers (excluding waivers on penalties and interest) <sup>b</sup>	0.19	0.00	0.00	0.00	0.00	0.00
<b>Reported Net Tax</b>		107.74		122.00		77.21	

*Source:* Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenues shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures (see Hutton (2010, p. 2) for further discussion). Estimates are for the respective calendar years. "Reported Net Tax" or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Notes:**

<sup>a</sup> The estimates of education tax expenditures for these years are arguably of little utility because very few returns were then filed and posted for the Education Tax. In recent times however, this problem is no longer a major concern as this issue has been somewhat addressed. For example, employers are now able to file a single monthly payment return rather than several returns. Moreover, filing compliance should improve further in the future with the forthcoming full amalgamation of the payroll deductions. On a separate

issue, the National Insurance Scheme (NIS) for example, is essentially a social security deduction and as such, has no related tax expenditures.

<sup>b</sup> The values reported in the tables for the Education Tax expenditures were not disaggregated by Education Tax category.

### **General Consumption Tax Expenditures**

The tax expenditures for the GCT are broken down based on the legislation which grants the tax expenditure. GCT expenditures are provided for under the *GCT Act*, various incentive *Acts*, defined in the charters of some organizations, or through waivers allowed under various pieces of legislation such as the *GCT Act* and the Constitutional powers of the Minister of Finance.

Under the *GCT Act*, tax expenditures typically fall under three major categories<sup>3</sup>; special treatment outlined in the Act, zero-rating provided for under the First Schedule, and exemptions provided for under the Third Schedule. For the zero-rating and exemptions schedules, the expenditure estimates have been summarized by broad categories. For example, the “Basic Food” tax expenditure is the summary of over 15 separate provisions under the Third

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<sup>3</sup> It is important to note that there is a key GCT expenditure that is presented in this report i.e. a tax expenditure for the reduced import base of the GCT caused by the current policy of excluding the Customs User Fee (CUF) and Standard Compliance Fee (SCF) from the GCT (imports) base.

Schedule. While detailed data on the importation of the individual product categories are available from the customs records, similar data are unavailable for supplies coming from domestic production. As a result, providing any further disaggregation of the estimates would result in unacceptable increases in the margins of error.

While there are a number of tax incentive Acts providing exemption from payment of GCT, either for imports or domestic acquisitions, most of these are with respect to purchases by businesses engaged in taxable activity. As such, these exemptions are more in the form of cash flow assistance rather than a tax expenditure benefit for the business, as the business would be entitled to an input tax credit for any tax which they could be required to pay. Tax incentives directed at unregistered activity is the sole exception where a tax expenditure is occurring.

The Charter for the University of the West Indies provides for certain exemptions from GCT. The tax expenditure estimate values reported strictly pertain to GCT exempted on imports.

On the other hand, the “Waivers” category only includes those waivers granting reductions in tax payable at time of import, no data were available on any waivers, reimbursements, or refunds post-payment of the tax.

During calendar year 2010 one major adjustment was made with respect to the General Consumption Tax. There was an increase in the standard GCT rate to 17.5 per cent on January 1, 2010, up from 16.5 per cent. Moreover,

there was also a broadening of the GCT base to some extent as the previously exempted service of Electricity supply became subject to GCT (at least above a threshold of 200 kWh monthly) effective February 2010.

**Table 7: General Consumption Tax Expenditures<sup>‡</sup>, 2008-2010**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b><i>GCT Act</i></b>							
Section 4	Reduced base on Imports <sup>a</sup>	32.79	0.0	19.20	0.0	18.60	0.0
Section 4	Reduced rate for for Tourism	5 625.56	8.4	6 964.91	11.0	6 600.83	9.0
	Reduced Tax Base for Tourism <sup>b</sup>	595.05	0.9	374.93	0.6	744.66	1.0
First Schedule	Airline Industry	8.87	0.0	10.85	0.0	-	0.0
First Schedule	Designated Educational Supplies	16.35	0.0	18.65	0.0	21.09	0.0
First Schedule	Designated Health Care Supplies	51.80	0.1	55.00	0.1	94.08	0.1
First Schedule	Religious or Charitable Purposes	3.01	0.0	0.67	0.0	1.84	0.0

*Source:* Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenue shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Table 7: General Consumption Tax Expenditures<sup>‡</sup>, 2008-2010 (Continued)**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
Third Schedule	Designated Inputs into Agriculture and Fishing	317.11	0.5	260.76	0.4	263.83	0.4
Third Schedule	Basic Food	5 693.09	8.5	6 091.32	9.6	7 267.24	9.9
Third Schedule	Buses	247.10	0.4	44.20	0.1	46.31	0.1
Third Schedule	Computers for Designated Bodies	678.70	1.0	257.28	0.4	0.02	0.0
Third Schedule	Designated Educational Supplies	96.05	0.1	95.63	0.2	146.63	0.2
Third Schedule	Designated Energy Conservation Equipment	23.66	0.0	17.12	0.0	19.58	0.0

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*Source:* Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenue shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Table 7: General Consumption Tax Expenditures<sup>‡</sup>, 2008-2010 (Continued)**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
Third Schedule	Designated Health Care Supplies	1 172.61	1.7	1 419.74	2.2	1 880.85	2.6
Third Schedule	Designated Printing and Printed Materials	2 044.64	3.0	547.94	0.9	872.66	1.2
Third Schedule	Designated Materials for Religious or Charitable Purposes	2.74	0.0	1.87	0.3	1.84	0.0
Third Schedule	Vehicles for Specified Persons	926.02	1.4	613.51	1.0	694.58	0.9
Third Schedule	Construction Services	254.04	0.4	184.09	0.3	211.32	0.3

*Source:* Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenue shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Table 7: General Consumption Tax Expenditures<sup>‡</sup>, 2008-2010 (Continued)**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
Third Schedule	Residential Rental	1 031.15	1.5	1 146.01	1.8	1 633.49	2.2
Third Schedule	Health Care and Veterinary Services	208.38	0.3	220.31	0.3	245.54	0.3
Third Schedule	Education Services	1 277.76	1.9	1 437.10	2.3	1 658.93	2.3
Third Schedule	Life & Health Insurance	3 725.13	5.6	4 176.35	6.6	4 864.53	6.6
Third Schedule	Water Supply	496.36	0.7	574.41	0.9	684.00	0.9
Third Schedule	Electricity Supply <sup>c</sup>	4 486.01	6.7	5 006.47	7.9	1 108.21	1.5
Third Schedule	Financial Services	6 272.18	9.4	7 401.92	11.7	6 526.03	8.9

*Source:* Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenue shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. "Reported Net Tax" or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Table 7: General Consumption Tax Expenditures<sup>‡</sup>, 2008-2010 (Continued)**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
Third Schedule	Petroleum Fuels	544.49	0.8	699.40	1.1	793.58	1.1
<b><i>Incentive Acts</i></b>							
Hotel Incentive	Imports for the tourist industry	269.48	0.4	39.74	0.1	40.06	0.1
Motion Picture Incentive	Imports for the motion picture industry	8.08	0.0	6.20	0.0	2.11	0.0
Public Transport Incentive	Imports for the public transport (corp. area) program	118.46	0.2	3.99	0.0	489.83	0.7

*Source:* Computed by Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenue shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Table 7: General Consumption Tax Expenditures<sup>‡</sup>, 2008-2010 (Continued)**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b><i>Other Acts or Charters</i></b>							
Separate Charter	Education	78.86	0.1	86.09	0.1	126.10	0.2
Separate Charter	Remission Under Own Act	6.67	0.0	3.85	0.0	0.37	0.0
<b><i>Waivers and Reimbursements</i></b>							
Waiver	Full Waiver	2 776.47	4.1	3 312.28	5.2	4 288.61	5.8
Waiver	Partial Waiver	123.47	0.2	8.87	0.0	7.29	0.0
Waiver	Waiver for Hybrid Cars	15.45	0.0	-	-	-	0.0
Waiver	Waiver for Hybrid Trucks	8.25	0.0	-	-	-	0.0
Waiver	Waiver for JUTA	1.68	0.0	-	-	-	0.0
<b>Reported Net Tax</b>		<b>67 072.72</b>		<b>63 512.66</b>		<b>73 556.72</b>	

Source: Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenue shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. "Reported Net Tax" or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Notes:**

<sup>a</sup> This expenditure occurred because the Customs User Fee, the Standard Compliance Fee and the Environmental Levy are not part of the GCT base at the ports.

<sup>b</sup> Effective January 1, 2010, the special GCT rate for the tourism sector was increased to 10.0 per cent, up from the previous rate of 8.25 per cent.

<sup>c</sup> A 10.0 per cent GCT was imposed on Electricity for Residential (for those consuming more than 200 kWh monthly), Commercial and Industrial Customers effective February 1, 2010. This resulted in the expansion of the GCT base and will be reflected in the GCT expenditure specifically related to electricity supply for any calendar year after 2009.

### **Special Consumption Tax Expenditures**

The tax expenditures for the SCT are broken down first based on imports versus domestic supplies and then, under the Imports category, based on the legislation which grants the tax expenditure. Ideally these two categories should be merged and the tax expenditure estimates of domestic sales and imports combined but unfortunately the captured SCT return data does not provide sufficient information to properly disaggregate the reported tax expenditures by product type.

SCT expenditures are provided for under the *GCT Act*, which enacts the SCT, various incentive Acts, defined in the charters of some organizations, or through waivers allowed under various pieces of legislation such as the *GCT Act* and the Constitutional powers of the Minister of Finance.<sup>4</sup>

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<sup>4</sup> It is important to note that due to a change in the motor vehicle rate structure effective May 12, 2008 (to a situation where there is now the standard GCT rate applied to each imported motor vehicle in conjunction with an SCT rate depending on the actual *cc* rating, laden weight (in the case of pick-ups or buses) or

Under the *GCT Act*, the tax expenditures are related to the exemption schedule for the GCT. This is due to the change in the tax treatment of motor vehicles, which used to be taxed at special rates under the GCT, but are now taxed at the standard rate under the GCT and have SCT applied. As a result, provisions in the Act which used to relate to relief for GCT for motor vehicles for certain purposes, were amended to allow for relief from SCT.

A number of tax incentive Acts providing exemption from payment of SCT on designated supplies, petroleum fuels and motor vehicles for the most part.

The Charter for the University of the West Indies provides for certain exemptions from taxes under the *GCT Act*. The tax expenditure estimate values reported strictly pertain to SCT exempted on imports.

The “Waivers” category only includes those waivers granting reductions in tax payable at time of import, no data were available on any waivers, reimbursements, or refunds post-payment of the tax.

There were some notable policy changes that were undertaken in 2010 which would have implications for the tax expenditure estimates. For example, an adjustment was made to the SCT on Fuel where a 15.0 per cent *ad valorem*

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seating capacity (for buses) of the vehicle), one will notice later a dramatic increase in the tax expenditures for the SCT in that year (compared with previous estimates in Hutton (2010, pp. 16-17)) as well as in 2009. This is a reasonable expectation as the SCT was applied to motor vehicles for the first time in Jamaica similar to tobacco, alcohol and fuel. Furthermore, unlike in Hutton (2010), the SCT expenditures are now disaggregated into two components i.e. specific and the *ad valorem* SCT.

rate was levied on the ex-refinery price of fuel refined in Jamaica effective January 1, 2010. Furthermore, there was also a simultaneous increase in the *specific* SCT on cigarettes, which saw the tax moving to \$10,500 per 1,000 sticks, up from \$8,500 per 1,000 sticks. Again, these adjustments were factored into our calculations of the annual tax expenditure estimates.

The “Domestic Sales” category is broken down by sales reported on the SCT as being exempt, versus sales reported on the SCT return as being zero-rated.

**Table 8.1: Special Consumption Tax (*Ad Valorem*) Expenditures<sup>‡</sup>, 2008-2010**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b>Imports</b>							
<i>GCT Act</i>							
	Imports for Agriculture and Fishing	37.81	0.2	54.43	0.2	16.70	0.1
	Airline Industry						
	Alcohol	0.16	0.0	1.02	0.0	0.26	0.0
	Vehicle	0.47	0.0	1.06	0.0	2.43	0.0
	<b>Buses</b>						
	Vehicle	13.77	0.1	4.94	0.0	1.75	0.0
	Vehicles for specified Persons	473.74	2.9	840.47	3.2	749.90	2.2

*Source:* Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenue shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Table 8.1: Special Consumption Tax (*Ad Valorem*) Expenditures<sup>‡</sup>, 2008-2010 (Continued)**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b><i>Incentive Acts</i></b>							
Bauxite and Alumina Incentive	Imports by Bauxite and Alumina companies	0.00	0.0	0.00	0.0	5.33	0.0
	Fuel Vehicle	10.42	0.1	28.46	0.1	9.93	0.0
Motion Picture Incentives	Imports by motion Studio	1.38	0.0	5.39	0.0	0.00	0.0
Public Transport Incentive	Imports for the public transport (corp. area) programme	0.78	0.0	0.53	0.0	1 287.92	3.8
<b><i>Other Act or Charters</i></b>							
University of West Indies Charter	Imports for educational purpose	5.80	0.0	5.27	0.0	7.44	0.0
<b><i>Waivers and Reimbursements</i></b>							
Various	Waivers on imports	385.15	2.4	1 938.89	7.5	1 070.51	3.2
<b>Reported Net Tax (i.e. <i>Ad valorem</i> + Specific)</b>		16 226.85		25 802.40		33 916.59	

*Source:* Computed by the Ministry of Finance and Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenue shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Table 8.2: Special Consumption Tax (*Specific*) Expenditures<sup>‡</sup>, 2008-2010**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b>Imports</b>							
<b><i>GCT Act</i></b>							
	Airline Industry:						
	Alcohol	0.10	0.00	0.05	0.00	0.11	0.0
	Fuel	0.48	0.00	0.42	0.00	0.32	0.0
	Imports of Buses						
	Vehicles for specified persons						
<b><i>Incentive Acts</i></b>							
Free Zone Incentive	Imports of free zone company	1.07	0.00	-	0.00	-	0.0
Bauxite and Alumina Incentive	Imports by Bauxite and Alumina companies	320.54	2.00	95.41	0.40	24.27	0.1
Motion Picture Incentives	Imports by motion Studio	-	-	-	-	-	0.0
Public	Imports for the public						

*Source:* Computed by the Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenue shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective

calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Table 8.2: Special Consumption Tax (*Specific*) Expenditures<sup>‡</sup>, 2008-2010 (Continued)**

Tax Provision	Description	2008		2009		2010	
		J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b><i>Incentive Acts</i></b>							
Transport Incentive	Transport (corporate area) programme	-	-	-	-	-	-
<b><i>Other Act or Charters</i></b>							
University of West Indies Charter	Imports for educational purpose	-	-	-	-	-	-
<b><i>Waivers and Reimbursements</i></b>							
Various	Waivers on imports	140.98	0.9	231.71	0.90	231.44	0.7
<b><i>Domestic</i></b>							
Various	Partial Waivers on Fuel for JPS	2 992.54	18.4	3 049.13	11.81	2 904.60	8.56
<b>Reported Net Tax (i.e. <i>Ad valorem</i> + Specific)</b>		16 226.85		25 802.40		33 916.59	

Source: Computed by the Ministry of Finance & Planning.

Notes: ‡The abolishment of a particular tax expenditure would not necessarily yield the full tax revenue shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

## **Trade Tax Expenditures**

The tax expenditures for Import Duty and the Customs User Fee are broken down based on the legislation which facilitates each tax expenditure. Import Duty expenditures are provided for under the *Customs Act*, various incentive Acts, defined in the charters of some organizations, or through waivers allowed under various pieces of legislation.

Under the *Customs Act*, tax expenditures for import duty are provided for under the Second and Third Schedule to the Act, by allowing for reduced rates of duty (in most cases, zero per cent) for specified imports for specified reasons or importers. The expenditure estimates have been summarized by broad categories, in order to provide consistent classifications with the GCT tax expenditures. Certain regulations have also been put in place to waive CUF on imports for specific programs.

Most tax incentive Acts provide for a concession on import duty for capital machinery and equipment, and some consumables, specific to the industry in question. More limited exemptions are provided for the CUF.

The Charter for the University of the West Indies provides for certain exemptions from import duty.

The “Waivers” category only includes those waivers granting reductions in tax payable at time of import, no data were available on any waivers, reimbursements, or refunds post-payment of the tax, or waivers of post-entry audits.

**Table 9: Import Duty Expenditures<sup>‡</sup>, 2008-2010**

Tax Provision/Description	2008		2009		2010	
	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax	J\$M	% Reported Net Tax
<b><i>Customs Act, Second Schedule</i></b>						
Agriculture and Fishing	-	0.00	-	0.00	-	0.00
Airline Industry	88.34	0.45	65.13	0.35	33.79	0.18
Education	4.06	0.02	1.47	0.01	4.68	0.02
Health Care	3.99	0.02	0.19	0.00	1.28	0.01
Postal	-	-	-	-	-	-
Religious or Charitable Purposes	8.61	0.04	5.40	0.03	3.74	0.02
Scientific or Research Purposes	-	-	-	0.00	-	-
<b><i>Customs Act, Third Schedule</i></b>						
Agriculture and Fishing	22.65	0.12	20.05	0.11	20.94	0.11
Education	0.36	0.00	0.72	0.00	-	0.00
Electrical Generation	0.01	0.00	-	0.00	-	0.00
Energy Conservation	8.02	0.04	13.80	0.07	14.20	0.08
Fire Fighting	0.25	0.00	0.12	0.00	0.42	0.00
Health Care	-	-	-	-	-	-
Manufacturing	2 441.89	12.41	2 882.63	15.50	3 175.41	16.91
Mining	-	-	-	0.00	-	-
Packaging and Shipping Materials	983.84	5.00	994.70	5.35	1 142.82	6.09

Printing and Printed Materials	2.91	0.01	0.40	0.00	0.65	0.00
Shipping						
Sports Equipment	99.95	0.51	114.80	0.62	101.24	0.54
Telecommunications	12.29	0.06	9.33	0.05	9.08	0.05
Vehicles for Specified Persons						
<i>Incentive Act</i>						
Export Incentive	6.31	0.03	2.64	0.01	4.93	0.03
Free Zones	3 202.27	16.27	2 825.94	15.19	366.61	1.95
Hotel Incentive	927.72	4.71	432.53	2.33	3363.64	1.79
Manufacturing						
Mining	13 177.52	66.96	1 748.76	9.40	1 945.95	10.36
Motion Picture Incentive	22.06	0.11	11.97	0.06	28.76	0.15
Petrol Incentive	28.89	0.15	6.89	0.04	7.28	0.04
Public Transport Incentive	0.01	0.00	0.00	0.00	0.00	0.00
<i>Separate Charter</i>						
Education	46.26	0.24	53.45	0.29	76.78	0.41
Remission Under Own Act	8.83	0.04	10.77	0.06	7.85	0.04
Waivers under Own Act						

**Waivers**

Full Waiver	5 644.55	28.68	6 156.21	33.10	4 869.95	25.94
Partial Waiver	718.26	3.65	733.23	3.94	680.93	3.63

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**Reported Net Tax**

19 678.40

18 597.84

18 776.22

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Source: Computed by Ministry of Finance & Planning.

Notes: ‡The abolishment of a particular tax expenditure would not necessarily yield the full tax revenue shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. “Reported Net Tax” or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.

**Table 10: Customs User Fee Expenditures<sup>‡</sup>, 2008-2010**

Tax Provision/Description	2008		2009		2010	
	J\$M	% of Net Tax	J\$M	% of Net Tax	J\$M	% of Net Tax
<b><i>Customs Act</i></b>						
Agriculture and Fishing	-	0.00	1.21	0.02	1.49	0.02
Free Zones	354.48	4.54	339.25	5.22	227.78	3.38
Manufacturing	16.45	0.21	2 037.98	31.35	1 990.27	29.57
Religious or Charitable Purposes	433.84	5.56	217.89	3.35	281.77	4.19
<b><i>Incentive Act</i></b>						
Free Zones	1.15	0.01	1.02	0.02	1.08	0.02
Mining	1 469.71	18.83	326.39	5.02	772.10	11.47
<b><i>Waivers</i></b>						
Petrol Incentive	56.22	0.72	25.17	0.39	27.33	0.18
Waiver	113.42	1.45	127.25	1.96	125.02	1.86
Partial Waiver	-	0.00	5.16	0.08	0.06	0.41
<b>Reported Net Tax</b>	<b>7 806.13</b>		<b>6 544.72</b>		<b>6 730.38</b>	

Source: Computed by Ministry of Finance & Planning.

Notes: <sup>‡</sup>The abolishment of a particular tax expenditure would not necessarily yield the full tax revenue shown in the table. Discrepancies due to rounding. The standard approach adopted was to measure each tax expenditure in isolation i.e. ascertaining the cost of an individual expenditure with the assumption that all other tax expenditures remained in place. Moreover, it is inaccurate to simply aggregate the individual tax expenditure figures. Estimates are for the respective calendar years. "Reported Net Tax" or Net Tax Payable is essentially, the total amount of tax that the taxpayers are required to pay over to the Revenue (i.e. when the value is positive) or the total amount of tax owed to the taxpayers by the Revenue in the case where there is a credit.