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MINISTRY PAPER NO.

TAX MEASURES 2007/08

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Ministry of Finance and Planning

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TAXATION MEASURES 2007/08

Members of this Honourable House are invited to take note of the New Taxation Measures being proposed for fiscal year 2007/08.

1. **Special Consumption Tax (SCT) on Cigarettes**

It is proposed to increase the special consumption tax rate on cigarettes by 20% and retain the current structure of the tax. The specific tax is to be increased from \$1,920 to \$2,300 per thousand cigarettes. The ad valorem tax structure remains and the rate of 39.9% will be applied to the excess over the floor price of \$4,338.13 per thousand sticks. The price of cigarettes currently imported is well below this floor price and as such the ad valorem tax is not levied.

Despite the recently announced increase in cigarette prices by the industry the measure is not expected to result in a further rise in prices.

The measure is expected to yield \$500M.

The effective date for implementation of this measure is April 13, 2007.

2. **Environmental Levy:**

An announcement was made in April 2003 to impose an environmental levy of \$2.00 per kilogram on plastic containers of various sizes. Implementation of the levy was subsequently delayed. After the announcement, interest groups not only felt that further evaluation of other harmful waste materials should be considered but also the mechanism for its implementation.

Arising from several meetings with various interest groups **it is proposed that the Environmental Levy be 0.5% of the CIF value of all imported goods.**

The exemption from this levy would be cases where goods are imported by:

1. The Government
2. Diplomats
3. International Organizations
4. Passengers (up to the allowance of US\$500)

Moreover, only firms would be able to claim the levy as a deductible expense under the Income Tax Act for the year of assessment in which it was paid. In the

situation where the return for the year of assessment is not filed by March 15 no claim will be allowed in respect of the levy paid.

The estimated yield of this measure is \$1,200M and the effective date will be June 1, 2007.

3. Customs User Fee (CUF)

Cabinet took the decision in May 2003 to replace the Cess on imports that was announced in April 2003 as some elements of the private sector objected to the Ministry of Finance's preferred approach of the Cess whereby firms would prepay a percentage of their taxes at the port and then be able to claim as credit against their income tax liability for the year of assessment in which the cess would have been paid.

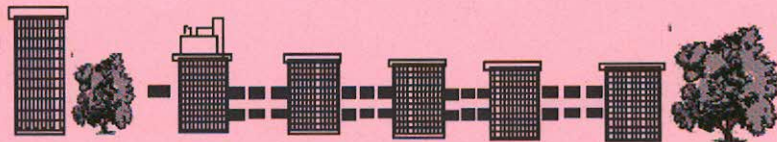
The manufacturing sector in particular has expressed concerns on the effects that the CUF is having on their operations. As such it is proposed that tax compliant firms be allowed to claim the CUF as a deductible expense up to a maximum of \$1.5 million for the Income Tax Year of Assessment in which it was paid. In the situation where the return for the year of assessment is not filed by March 15 no claim will be allowed in respect of the CUF paid.

The effective date will be June 1, 2007



**Omar Davies MP
Minister of Finance & Planning
April 12, 2007**

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