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MINISTRY PAPER NO. 26

REVENUE MEASURES 2009/2010

23RD APRIL 2009

Ministry of Finance and the Public Service

MINISTRY PAPER NO. 26

REVENUE MEASURES

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

2. *Increase in the General Income Tax Threshold*

a) It is being proposed that the general Income Tax threshold be increased as follows:

- a. July 1, 2009 – December 31, 2009 (from \$220,272.00 to \$320,736.00)
- b. January 1, 2010 (from \$320,736.00 to \$441,168.00)

b) There are currently 323,000 persons on the PAYE system. The movement of the threshold to \$441,168.00 will result in 132,000 persons falling outside of the tax base.

Estimated revenue loss - \$5,202 million.

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

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

b) The new threshold for those pensioners would be:

- i. Aged 55-65 years - \$400,736.00, up from \$265,272.00
- ii. Over 65 years - \$480,736.00, up from \$310,272.00

Estimated revenue loss - \$128 million

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

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

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

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

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

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

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

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

6. *Imposition of GCT on Telephone Instruments*

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

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

7. *Reform of General Consumption Tax*

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

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

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

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

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

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

9. *Imposition of Withholding Tax on Dividends*

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

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

A handwritten signature in black ink, appearing to read 'Audley Shaw', with a long horizontal stroke extending to the left.

Audley Shaw, MP
Minister of Finance and the Public Service
April 23, 2009

SUMMARY OF MEASURES

	<u>J\$BN</u>	
1 Increase in Special Consumption Tax (SCT) on petrol and increase in Customs User Fees (CUF) on finished petroleum products	13.328	
2 Reform of General Consumption Tax (GCT) on Goods and Services @ 16.5% except for attached exempt list.	7.500	
3 Imposition of Withholding Tax on Dividends paid to non-residents.	1.341	
4 Removal of Personal Income Tax Preferences	1.200	
5 Imposition of 20% GCT on importation and the sale of telephone instruments.	0.736	
Revenue Gain		24.105
6 Increase in General Income Tax Threshold	-5.202	
7 Increase in Income Tax Threshold for Pensioners	-0.128	
8 Less Reduction in Transfer Tax & Stamp Duty	-0.644	
Revenue Foregone		-5.974
Total New Measures		18.131

MINISTRY OF FINANCE AND THE PUBLIC SERVICE

Table 1: Extended list of items to remain exempt from GCT

Item

Raw foodstuff

Drugs specified in the Fourth Schedule (List Four Drugs) to the Food and Drugs Regulations, 1975

Cornmeal and counter-flour; corn, soya meal, wheat

Rice

Canned sardines, herrings and mackerel.

Gold bullion, coins and bank and currency notes imported by the Bank of Jamaica

Sugar (brown)

Milk excluding flavoured milk, milk based products and milk substitute

Pickled mackerel, herring, shad, dried salt fish.

Breads, buns, bullas, biscuits and crackers(salted and unsalted)

Corn beef

Fertilizers, herbicides, fungicides, plant growth regulators, nematicides etc for sub-headings 3010 to 3105 (excluding subheading 3102.10), herbicides, fungicides, plant growth regulators, nematicides, rodenticides, veterinary preparation and molluscides.

Infant Formula

Exercise books ex. Tariff Heading 4820.20

School uniforms and school bags

Insecticides of heading Tariff Heading No. 38.08 intended for exclusive use in agriculture

Machetes, cutlass files, hoes, etc

Baking Flour in bags of not less than 45.359 kg

Stationary for Examination Bodies

Stationery and educational apparatus and equipment (including those used for games and physical training)

Goods of non-consumable nature which the head of a denomination for which the goods are assigned declares in writing will be used only for the purpose intended and which the Commissioner of Inland Revenue is satisfied are purchased or imported solely for

Travel Tickets for International Travel

Artificial breathing apparatus for individuals afflicted with respirator disorder

Medical implants and aids

Invalid Carriages

Parts and accessories for any of the items specified in paragraph 60.

Orthopaedic appliances, canes and crutches for disabled, prescribed eye glasses and contact lenses

Disposable diapers for the incontinent

Contraceptive devices and substances

Fishing apparatus, gear, boats, engines (but not including outboard motors exceeding a maximum of 75Hp)

Planting materials including cereals and seeds in their natural state, dormant flower bulbs, corn roots and tubers and nursery stock, vegetable plants and live trees;

Solar water heaters specified under tariff heading no 8419.191 and 8419.192

Sanitary Towels & Tampons

Surgical gloves, including disposable, sterile and those made of latex rubber

Diagnostic reagents used for testing of dextrose in the blood and glucose, protein, ketones and Ph in the urine.

Animal feeds, except pet foods

Sports equipment specially designed for use in (select sports).and an educational institution and sporting organization approved by the Sports Minister

Photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made, up into panels

Food Produced Exclusively for school feeding programme

Cooking Oil

Eggs

Table 2: Items to become subject to GCT

Automatic Data Processing Machines 8471 and parts and accessories 8473.30

Printed matter (not including newspapers) articles and materials classified under tariff heading nos. 4901 to 4905.

Fish, cock and noodle soup, in aluminium sachets
Syrup ex. Tariff 21.06

Motor Spirit, lubricating oil for Commercial fishing

Live Birds, Fish, etc. for food

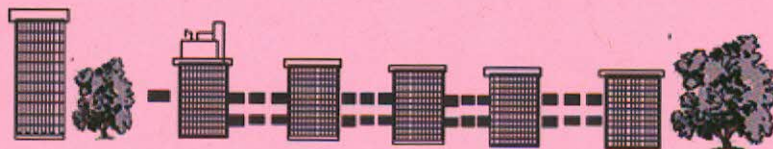
Rolled Oats

Salt

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