

16

MINISTRY PAPER No.....
Measures to Enhance Revenue

Members of the Honourable House are asked to take note of the following revenue measures for the year 2002/2003.

1. Amendments to the GCT Act

- (i) Section 19 of the GCT Act provides that a taxable supply is deemed to have taken place in Jamaica where the services are performed or utilized in Jamaica. The Act also provides that where a supplier is not a resident of Jamaica, and services are utilized or performed in Jamaica a deemed taxable supply has taken place in Jamaica. While the provision for the imposition of the tax is clear, there is no provision for the collection of the tax.

It has become necessary to amend the Act to make it clear that the recipient of the service is, in this case, the person responsible for remitting the tax to the Department since it would be impractical to register transient persons and collect tax from them.

- (ii) The Third Schedule of Part II of the GCT Act exempts from tax "services rendered in relation to the Betting, Gaming & Lotteries Act". This has been interpreted to include services rendered by companies not licensed under the Betting Gaming and Lotteries Act where the services are rendered to a company operating under a licence issued under that Act. The GCT Act needs to be amended to make it clear that only persons who have been granted a licence under the Betting Gaming and Lotteries Act would have these services exempted under Item 22 of Part II of the Third Schedule to the Act.

II. Linking of Tax Compliance with the Granting of Licences and Certification

At present few professionals and traders are filing returns and paying the requisite taxes. It is proposed that a valid tax compliance certificate be a prerequisite for obtaining the various licences and professional certification.

III. Imposition of User Fees at Jamaica Customs

The Jamaica Customs Department has been providing the following services free of charge:

- processing of applications for licences and providing facilitatory services;
- providing data entry services for brokers and importers who do not possess computer equipment;
- providing services for brokers who do not use e-mail facilities but provide information on diskettes.

The Department was forced to set up a separate Unit to receive and extract information from the diskettes and then e-mail the information to the Cargo Processing System at a cost. In order to recover these costs, it is proposed to introduce the following:

- (a) an annual licensing fee of \$25,000 for the operation of a Private Bonded Warehouse;
- (b) an annual licensing fee of \$50,000 for the operation of a Public Bonded Warehouse;
- (c) an increase in the brokers' licensing fee from \$6,000 per annum to \$15,000 for Body Corporate, \$10,000 for conditional licences for companies and \$10,000 for individuals;
- (d) a flat rate of \$500 for entries with ten or less entries and \$5.00 for each addition keyed in by Customs; and
- (e) a processing fee of \$500 for each diskette received.

IV. Auditing of Financial Institutions

Government of Jamaica Eurobonds which were issued free of transfer tax, stamp duty and income tax and which were purchased or acquired by local brokers have been used to create derivatives. These derivatives are new products on which interest income is subject to tax. The brokers are however issuing these securities as tax free instruments and the Taxpayer Audit and Assessment Department is currently conducting audit inspections of these transactions to ensure that the tax due on these securities is paid.

V. Lottery Games

The levy paid from the lottery games "Pick 3", "Lucky 5" and "Cash Pot" is 17% of net sales (after deducting prize liability). The prize paid out for these games are 60%, 51% and 72% respectively. It is proposed that the payout for the "Pick 3" game remain at 60%, that for "Lucky 5" be reduced from 51% to 50% and that for "Cash Pot" be reduced from 72% to 70%.

VI. Other measures

Other measures to be undertaken include increases in traffic fines and in licensing fees. The action necessary to effect these will be taken by the relevant ministries.

These proposals to close the loopholes, together with other administrative measures, are expected to yield \$8.9B.

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