MINISTRY PAPER # 09/25

REVENUE MEASURES FOR FINANCIAL YEAR 2025/2026

Ministry of Finance and the Public Service
11th March 2025

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REVENUE MEASURES – FY 2025/2026

The Honourable House is being requested to take note of the following revenue measures for the Fiscal Year (FY) 2025/2026. The measures are predicated on the essential tenets of tax reform, to include the promotion of simplicity and equity within the tax code as well as proposing amendments to existing tax legislation to improve efficiency and effectiveness. The measures also support the Government's objective of stimulating economic activities within Jamaica, through the further development of economic opportunities and improvement in administrative efficiency.

1. **Increase in the General Consumption Tax (GCT) Registration Threshold from JM$10 million to JM$15 million**

- The Honourable House is asked to note that pursuant to Part VI of the GCT Act, every person who carries on a taxable activity with gross value of supplies being not less than JM$10 million, should be registered for GCT purposes. The House should also recall that the registration threshold was last increased in 2019 when it was moved from JM$3 million dollars to the current value of JM$10 million dollars.

- The utilization of a GCT registration threshold aims to reduce administrative costs associated with tax administration in addition to reducing the GCT compliance costs to businesses operating below the threshold. An important balance must be found between the revenue gained from these firms and the administrative and compliance costs incurred. For calendar year 2023, firms operating within the JM$10 million to JM$15 million range of annual gross sales accounted for approximately 12% of the total share of taxpayers and contributed approximately 1.3% of the total share of GCT revenue. This represents a significant disparity between the number of taxpayers and the share of GCT collected, mainly resulting from the relatively lower volume of taxable supplies at this level.

- In this regard, the Honourable House is asked to note the intention to increase the GCT registration threshold from JM$10 million dollars to JM$15 million. The measure will directly benefit micro enterprises and some small enterprises by removing their GCT compliance costs and may allow for these savings to be reinvested in the business. Further, from a tax administration perspective, resources can be reallocated to focus on taxpayers above the new threshold with the potential benefits being improved compliance and increased revenue collection.

- The estimated revenue loss associated with the increase in the GCT registration threshold from JM$10 million to JM$15 million is approximately JM$1.373 billion.

- The measure is expected to take effect on April 1, 2025.

2. Reform of the General Consumption Tax (GCT) on the Supply of Electricity to Residential Customers

- The Honourable House is asked to note that the standard General Consumption Tax (GCT) rate of 15% is charged on the supply of all electricity, with residential customers benefitting from a zero rating of GCT for the first 150 Kilowatt hours. It should be noted that the current regime does not accommodate changes in product offerings such as pre-paid electricity supply. In recognizing the changes in product offering by the utility provider, it has become necessary to reform the GCT treatment on the supply and purchase of electricity for residential use.

- The details of the reform are as follows:

  1) For Post-paid residential customers:
     i. a reduction of the GCT rate applicable to the supply of electricity to residential post-paid customers from the standard rate of 15% to a new rate of 7%;
     ii. the removal of the GCT zero rated status on the first 150 kilowatt-hour (kWh) utilized per month (the tax-free threshold) by residential customers;
     iii. the implementation of a system that will rebate the 7% GCT charged and also provide for a 3% subsidy (calculated on the GCT base) to the post-paid consumer who utilizes 250 kWh or less per month. Customers who utilize more than 250 kWh of electricity will pay GCT on their total usage (i.e. from the first kWh used).

  2) For Pre-paid residential customers:
     i. The application of GCT at a rate of 7% on the full value of pre-paid electricity purchased by residential customers;
     ii. An incentive package for new pre-paid customers within targeted communities will include the following promotional activities: assistance in operationalizing their pre-paid accounts and the provision of promotional credits for their pre-paid accounts. The promotional credit is proposed to be JM$4,000 per month for a period of six months commencing from the date of meter installation. The promotional credits will be available to the first 20,000 new qualified pre-paid customers with these customers being on-boarded through the Jamaica Social Investment Fund (JSIF). Further, pre-paid customers in need of house wiring and inspection will be assisted by JSIF under the Government of Jamaica House Wiring and Inspection Program.

New pre-paid customers will only be eligible for the credit facility during the six months immediately following the effective date of the new policy. The credit facility will therefore terminate eleven months after the effective date of the policy.

- For commercial customers, the existing 15% GCT rate applicable to post-paid customers will be maintained and the 15% GCT rate will also be applicable to the full value of the pre-paid electricity purchased by commercial customers.

- It is expected that this reform will facilitate the expanded roll-out of pre-paid electricity by providing consumers with an alternative mechanism for the supply of electricity. Further, the measure aims to reduce the cost of electricity through the application of a lower GCT rate, thereby contributing to overall reduction in the cost of living for residential consumers.

- The estimated revenue loss associated with the reform of the GCT on the supply of electricity to residential customers is approximately JM$2.994 billion.

- The measure is expected to take effect on May 1, 2025

3. Accelerated Capital Allowances for new investments in industrial buildings, machinery, equipment and information technology undertaken in years of assessment 2025 and 2026

- Allowances for Capital Expenditure also referred to as Capital allowance is a tax deduction that allows businesses to recover the cost of acquiring capital assets over time. It applies to fixed assets such as buildings, plant & machinery, equipment, intangible assets and vehicles that are used in generating taxable income. Instead of deducting the full cost in the year of purchase, businesses can claim a portion of the asset's cost each year as an expense, reducing their taxable income.

- Currently, Industrial buildings are given a 20% initial allowance, with annual rates of 4% (concrete/steel, 25 years), 10% (metal, 10 years), and 12.5% (wood, 8 years). Non-industrial commercial buildings have no initial allowance, with annual rates of 4% (concrete/steel, 25 years), 10% (metal, 10 years), and 12.5% (wood, 8 years). Plant and machinery used in production or manufacturing gets a 25% initial allowance, with annual rates of 12.5% (8 years) and 20% for data processing equipment (5 years). Other machinery has no initial allowance but a 12.5% annual rate over 8 years

- The Accelerated Capital Allowances (ACAs) is an initiative for new investments in categories of industrial buildings, non-industrial buildings and plant & machinery – specifically, machinery used in the production of primary products or in manufacturing or automated packaging of goods; automatic data processing equipment, calculators, cash registers as well as parts/accessories thereof, and other plants and machinery.

- The rate will be maintained for all other categories of assets.

- This program will be available for investments made between January 1, 2025, and December 31, 2026. It is designed to support retooling and modernizations, enhance efficiency, and encourage businesses to accelerate capital investments.

- The initiative will be a revision of the initial allowances for the first two years of investment in specified categories of buildings and the associated annual rates, as per the schedule below in Table 1. The current schedule, as prescribed by the First Schedule of the Income Tax Act, will continue to apply to the non-affected assets.

Table 1- Current and Proposed Capital Allowance Structure

	Current			New			
Category	Initial Allowance	Period (Years)	Annual Allowance	Initial Allowance			
				Year 1	Year 2	Period (Years)	Annual Allowance
Industrial:							
Buildings & structures primarily constructed of concrete, steel, brick, stone cement or similar materials	20%	25	4%	30%	25%	18	5.50%
Buildings & structures primarily constructed of other inorganic materials such as galvanized iron, corrugated metal or similar material	20%	10	10%	30%	25%	5	20%
Buildings & structures primarily constructed of wood or other organic materials	20%	8	12.50%	30%	25%	5	20%
Non-Industrial:							
Commercial Building:							
Buildings & structures primarily constructed of concrete, steel, brick, stone cement or similar materials	0%	25	4%	12%	8%	20	5.00%
Buildings & structures primarily constructed of other inorganic materials such as galvanized iron, corrugated metal or similar material	0%	10	10%	30%	20%	5	20%
Buildings & structures primarily constructed of wood or other organic materials	0%	8	12.50%	36.5%	24%	5	20%
Plant & Machinery:							
Machinery	25%	8	12.50%	40%		4	25%
Automatic Data Processing equipment	25%	5	20%	40%		3	33.33%
Other plant & machinery	0%	8	12.50%	20%		4	25%

- The measure is expected to be in effect for years of assessment 2025 and 2026.

4. **Increase in the Annual General Personal Income Tax (PIT) Threshold.**

- The Government of Jamaica (GOJ) has proven its ability to overcome the cycle of debt with strong public backing. It has effectively lowered public debt, stabilized inflation, and reinforced its external position. By consistently investing in institutions and prioritizing macroeconomic stability, the GOJ has established a solid track record, enabling Jamaica to respond to recent global shocks with prudence, agility, and a focus on growth.

- The GOJ is committed to continuing its programme of fiscal consolidation and reform. The social protection system has been strengthened, contributing to increased equity, social resilience, and poverty reduction. Taxes, including personal income tax, expenses, and limitations are reviewed by the GOJ periodically. The Government increased the Annual General Personal Income Tax (PIT) threshold from JM$1,500,096 to JM$1,700,088 effective April 1, 2024.

- The general PIT threshold will be increased to JM$2,003,496 through a phased implementation over three years. For all individuals whether employed (i.e. subject to Pay As You Earn (P.A.Y.E)) and/or self-employed the PIT threshold will be:

1) For the Financial Year 2025/26, effective April 1, 2025, it is proposed to increase the threshold from JM$1,700,088 to JM$1,799,376 million.
2) For the Financial Year 2026/27, effective April 1, 2026, it is proposed to increase the threshold from JM$1,799,376 to JM$1,902,360 million.
3) For the Financial Year 2027/28, effective April 1, 2027, it is proposed to increase the threshold from JM$1,902,360 to JM$2,003,496 million.

- The proposed increase in the Annual General PIT threshold will result in 28,880 additional PAYE taxpayers falling outside of the income tax roll over the three-year period.

- This increase in the PIT threshold has an associated revenue loss of approximately **JM$4.8** billion in the first year i.e. FY2025/26. The second year (FY2026/27) increase to JM$1,902,360 will lead to an additional JM$4.73 billion loss, bringing the total to JM$9.53 billion. The final increase to JM$2 million in the third year (FY2027/28) will result in a further JM$4.44 billion loss, totalling approximately JM$13.97 billion over three years.

5. Reduction of Ordinary Dividend Income Tax Rate for Non-Residents.

- Ordinary dividends paid by Jamaican resident companies to resident shareholders are taxed at a rate of 15%. This tax is withheld at the time of payment and is considered the final tax on such dividends. Dividends paid to non-resident shareholders are subject to a default withholding tax rate of 33⅓% for companies and 25% for individuals, unless reduced by applicable tax treaties or incentives.

- The tax rate on ordinary dividend income for non-residents (both companies and individuals) will be reduced to 15%, simplifying the tax structure and potentially making Jamaica more attractive to investors. Notably, existing treaty provisions and incentive reliefs for non-residents would remain in effect, ensuring that those benefiting from more favourable rates continue to do so.

- Estimates of the impact of this reduction in non-resident rates indicate a revenue loss of approximately JM$8.8 million.

SUMMARY OF REVENUE MEASURES

		Revenue Loss JM$ Million
1.	Increase in the General Consumption Tax (GCT) Registration Threshold from JM$ 10 million to JM$ 15 million	1,373.26
2.	Reform of the General Consumption Tax (GCT) on the Supply of Electricity to Residential Customers	2,994.64
3.	Accelerated Capital Allowances for new investments in industrial buildings, machinery, equipment and information technology undertaken between 1st January 2025 and 31st December 2026.	-
4.	Increase in the Annual General Personal Income Tax (PIT) Threshold.	4,800.0
5.	Reduction of Ordinary Dividend Income Tax Rate for Non-Residents.	8.8
TOTAL		**9,176.70**

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March 11, 2025

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Printed by Ministry of Finance and the Public Service