



MINISTRY PAPER #11/24

REVENUE MEASURES FOR FINANCIAL YEAR 2024/2025

Ministry of Finance and the Public Service
12th March 2024

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REVENUE MEASURES – FY 2024/2025

The Honourable House is being requested to take note of the following revenue measures for the Fiscal Year (FY) 2024/2025. The Honourable House is being asked to note that the revenue measures are predicated on the essential tenets of the tax reform, including providing amendments to existing taxes to improve tax efficiency and effectiveness. The measures also support Jamaica's thrust towards the utilization of renewable sources of power generation, in addition to reducing ambiguity in the law, boosting the shipping and logistics sub-sector, improving passenger facilitation through airport facilities and improving administrative efficiency. The following measures therefore provide the requisite corollary reforms, including the tax rate reductions and the elimination of taxes on some goods.

1. Clarify the 25 % income tax rate for companies providing trust and corporate services.

- The Honourable House is asked to note that the International Corporate and Trust Providers Act, 2017 was amended in 2021 to, *inter alia*, change the name of the Act to the Trust and Corporate Service Providers (TCSP) Act and expand the scope of the legislation to be generally applicable to both international and domestic trust and corporate service providers. The amendments to the Act were in keeping with Jamaica's overall push to improve its Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) framework based on the Caribbean Action Task Force (CFATF) Mutual Evaluation Report on Jamaica in 2017 and allowed for an improvement of the regulatory requirements for providers of trust and corporate services.
- By virtue of the amendments to the TCSP Act, all entities providing trust and corporate services are now regulated by the Financial Services Commission (FSC) and therefore obligated to the registration/licensing provisions as stipulated in the TCSP Act. Consequently, given that these companies are now regulated by the FSC, they are now regulated companies pursuant to the Income Tax Act and therefore subject to the corporate income tax rate of 33 1/3%. Subjecting these companies to the 33 1/3% corporate income tax rate would be disproportionate and contradicts the prevailing tax policy intent.
- As such, an amendment to the Income Tax Act has become necessary in order to clarify the 25% income tax rate for providers of these services in order to reduce ambiguity and to dispel anxiety amongst the industry. It should be noted that the reduced rate does not apply to companies engaged in both the provision of trust and corporate services and any other regulated activities within the meaning of the Income Tax Act.

- Clarification of the 25% income tax rate for companies providing trust and corporate services is expected to be revenue neutral. Companies providing these services were previously subject to an income tax rate of 25%. Therefore, clarifying the 25% income tax rate for the provision of these services simply maintains the status quo. The measure is to take effect for the year of assessment 2023.

2. Reduction in the Corporate Income Tax (CIT) rate from 33 1/3% to 25% for Independent Power Producers (IPPs) producing 75% or more of their energy from renewable sources

- Jamaica's energy system is highly dependent on imported fossil fuels. Fossil fuels have been the primary source of energy for much of human history, powering industrialization, transportation, and electricity generation. However, their use has significant environmental drawbacks. The finite nature of fossil fuel reserves and the environmental concerns associated with their use have led to growing emphasis on transitioning to cleaner and sustainable energy sources, such as renewable energy, to reduce the reliance on fossil fuels and mitigate their environmental impact.
- The use of fiscal measures to incentivize the energy sector is consistent with the global thrust to reduce the dependence on fossil fuels, using renewable energy sources. This continues to be the main objective of the legally binding Paris Agreement which was ratified by Jamaica in 2017. Further, Jamaica has committed to attaining a 50% use of renewables in its power generation mix by 2030.
- To facilitate further investments in renewable energy, the Income Tax Act will be amended to conditionally exclude IPPs from the definition of "regulated company" for the purpose of section 30 of the ITA. The amendments will reduce the CIT rate from 33 1/3% to 25% for IPPs that produce 75% or more of renewable energy from wind and/or solar and who are regulated by the Office of Utilities Regulation. These entities will not benefit from the Employment Tax Credit.
- The objective of the reduction in the CIT is to promote the growth of the renewable energy sector, reduce greenhouse gas emissions, and enhance energy independence. It is intended to give the investors more confidence in the sector, provide more capital that can help finance investments in renewable energy technologies, and ultimately lead to economic growth and development.
- Estimated Revenue loss associated with the reduction of the CIT rate payable for IPPs producing 75% or more of their energy from renewable sources is JMS\$31 million. The amendments shall be effective from the year of assessment 2023 (including any basis period permitted by Tax

Administration Jamaica in respect of this tax year pursuant to section 6 of the ITA).

3. An increase in the *de minimis* value for imported goods from US\$50 to US\$100

- There has been significant public sentiment concerning the customs *de minimis* value and passenger duty-free allowances. This increased discourse has particularly been fueled by changes in the global macro-economic environment, in addition to a general increase in e-commerce activities. Retail e-commerce sales amounted to approximately US\$5.2 trillion worldwide and is forecasted to grow significantly over the next few years. Jamaica continues to benefit from the increased growth of e-commerce facilities as more citizens utilize online marketplaces to purchase goods and services for consumption. The increased growth is attributable to the convenience, accessibility, and vast product selection offered by e-commerce facilities, driving its popularity among consumers both locally and internationally. Also, mobile devices, improved internet infrastructure, and secure payment systems have further fueled the expansion of e-commerce adding to the increased usage.
- Increasing the *de minimis* value on imported goods will facilitate access of local consumers to a wider variety of goods and will facilitate more activity in the local economy by way of intermediaries and shipping companies eager to capitalize on the increased activity. This includes the shipping and logistics sub-sector, which has benefitted from the growth of e-commerce providing direct and indirect benefits to the economy. An increase in the *de minimis value* could result in further growth of the sub-sector, resulting in productivity, labour and revenue gains as the sub-sector positions itself to accommodate the expected surge in low value imports.
- The *de minimis* value represents a minimum value and/or a minimum amount for which no duties and taxes will be collected. In considering this, it is noted that low value items (below US\$100) account for less than 0.5% of the overall share of fees/charges collected by the Jamaica Customs Agency (JCA) on imports but account for almost one fifth of the total declarations processed for imports. This indicates a disparity between the quantity of low value shipments processed and the revenue collected from these shipments. Therefore, increasing the *de minimis* value for imported cargo should increase administrative efficiency and allow for a redirection of resources to focus on higher value items.
- Estimated Revenue loss associated with the increase in the standard *de minimis* value from US\$50.00 to US\$100.00 for imports is JM\$864 Million. The measure is expected to take effect in April of FY 2024/2025.

- 4. An increase in the passenger duty-free threshold for personal/household effects not imported for sale or commercial exchange from US\$500 to US\$1,000**
- Increasing the duty-free threshold for personal/household items is advantageous from a passenger facilitation perspective. Given the rise in price level within the last five years and the resulting increase in the cost of goods, the usual collection of personal and household items that persons may travel with has increased in value. In considering this, passengers travelling with dutiable items with a value not exceeding the new JM\$1,000 duty-free threshold would be able to enjoy expedited processing, significantly improving passenger flow through our international airports and providing immeasurable value to Jamaica's tourism product.
 - Estimated Revenue loss associated with an increase in the duty-free threshold for personal/household effects from US\$500 to US\$1,000 is JMD \$331 Million. The measure is expected to take effect in April of FY 2024/2025.
- 5. Increasing the maximum participating voting share capital for the Junior Stock Exchange from JM\$500 Million to JM\$750 Million.**
- The House is asked to note that the maximum participating voting share equity capital for companies listed on the Junior Stock Exchange (JnrSE) is currently capped at JM\$ 500 Million. The imposition of this limit was consistent with the approximate sizes of medium-sized enterprises and the corresponding value of total sales revenue. The House should also note that micro, small and medium sized enterprises (MSMEs) listed on the JnrSE benefit from a range of tax incentives such as the conditional relief from income tax payments, in addition to the exemption from transfer tax and stamp duty on transfer of shares over the exchange.
 - In an effort to further facilitate growth of the MSME sector, the Income tax Act will be amended to increase the maximum participating voting share capital of companies listed on the JnrSE from JM\$ 500 Million to JM\$ 750 Million. This increase will positively impact the MSME sector as it will broaden the scope for more MSMEs to benefit from the suite of incentives afforded to these entities. Further, the increase will provide much needed fiscal room for these entities to raise capital and improve productivity. This policy is in recognition of the pivotal role that MSMEs play in driving economic growth while promoting and encouraging local entrepreneurship.
 - This measure is revenue neutral given that it increases the upper limit for the maximum participating voting share capital. Further, the rules governing the Jamaica Stock Exchange Main Market prevents companies from migrating from the main market to the Junior Market. The measure is expected to take effect for year of assessment 2024.

6. Increase in the Pension Exemption and Age Relief Exemption

- The House is asked to note the following exemptions that apply to individuals in receipt of a pension:
 - Individuals under 55 years of age receiving a pension from an approved statutory pension scheme or an approved superannuation scheme are entitled to a tax exemption of JM\$80,000 restricted to the pension income only. If the pensioner is 55 years and over, the JM\$80,000 tax exemption can also be applied to their other sources of income. This is known as the Pension Exemption
 - Individuals 65 years and over, who are in receipt of a pension, are entitled to an Age Relief Exemption of JM\$80,000. This is in addition to the Pension Exemption enabling persons 65 years and over to be entitled to a total of JM\$160,000 in exemptions.
- The Government of Jamaica (GOJ) remains committed to ensuring the adequacy of social protection systems, improving equity and social resilience and reducing poverty. The GOJ recognizes the financial challenges facing individuals receiving a pension and their vulnerability to the increasing cost of goods and services, resulting from inflationary pressure. In an effort to provide further protection to this vulnerable group, it is proposed that the annual Pension Exemption and the Age Relief Exemption be increased from JM\$ 80,000 to JM\$ 250,040 respectively. This will result in an additional 2046 persons falling outside of the tax net and provide more disposable income to individuals in receipt of a pension.
- Estimated Revenue losses associated with the increase in the pension exemption is J\$ 1.1 Billion. The measure is to take effect on 1st April 2024.

7. Standardizing Jamaica's GCT Tax Treatment on Raw Foodstuff

- Currently, the standard rate of GCT is charged on imported Raw foodstuff and no GCT is charged on the domestically produced raw foodstuff. The intention of this policy at the time was to bolster domestic production and act as a safeguard for domestic industries and markets. Unfortunately, this policy could be interpreted as government sponsored protectionism and distorts the conditions of competition between imported markets.
- While the government remains committed to supporting domestic agricultural production, Jamaica is also obligated to the conditions set out by virtue of our membership to the World Trade Organization (WTO). Based on the national treatment principle set out in the General Agreement on Tarriff and Trade (GATT), Jamaica is not permitted to implement policies and/or measures that are designed to protect domestic products. The fact that GCT is an internal tax that is charged on only imported raw foodstuff and not on locally produced raw foodstuff may be interpreted as a measure

that gives protection to domestic production. If the policy is not amended, then trade sanctions are liable to be imposed on the country.

- Therefore, in keeping with Jamaica's trade obligations, the GCT on imported raw foodstuff will be removed.
- This measure will be revenue negative and will result in foregoing JM\$2.42 Billion in revenue. The measure will take effect in the 1st quarter of FY 2024/2025.

8. Removal of General Consumption Tax on Armoured Cash Courier Vehicles

- The Armoured Cash Courier Industry plays an integral role in the financial services industry in Jamaica. Business owners and operators, financial institutions, and multi-branch bank operations rely heavily on the armoured car courier companies which oversee the cash logistics and case management services of these enterprises.
- The numerous gun attacks, ambush, and robbery attempts on the Armoured Cash Courier Industry in 2023 have negatively impacted the industry. These attacks have significantly impacted the mental health of the security officers, employees in the industry and the citizens at large.
- Given the gravity of the situation, the government is proposing assistance to the Armoured Cash Courier Industry, to enhance the security of courier operations. Therefore, any company that operates an approved cash courier business can import free of General Consumption Tax (GCT) the following items:
 - armoured vehicles on the excess of CIF US\$33,000
 - the added cost of armouring vehicles
- This measure is intended to enhance the activities of the Armoured Cash Courier Industry by encouraging courier companies to invest in better security measures and upgrade their fleet.
- The estimated Revenue loss associated with the GCT reduction for the Armoured Cash Courier Industry is JM\$ 50 Million. This measure is expected to take effect in the 1st April 2024 and remain in place for 24 months.

9. Reverse Tax credit to individuals whose statutory payments have been filed and paid for Calendar Year (CY) 2023

- The GOJ is desirous of encouraging the on-time filing and paying of statutory deductions. To incentivize the filing of statutory deductions, individuals who earn below JM\$3,000,000 will receive a credit of JM \$20,000 if they complete their filing and payments in respect of Calendar Year 2023 by March 31, 2024. This applies for both self-financing

individuals and PAYE individuals (which requires that companies file their returns by March 31, 2024.)

- Payment of the reverse tax credit grant will be effected through an online system operationalized by Tax Administration Jamaica. Individuals will apply through the online system and the grant will be made by way of a direct funds transfer facility.
- Estimated revenue loss associated with this measure is JM\$ 11.4 Billion. The system will be operationalized by the second quarter of FY 2024/25.

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

- The Government of Jamaica (GOJ) has demonstrated the capacity to break the cycle of indebtedness, with broad public support. It has successfully reduced public debt, anchored inflation, and strengthened its external position. The GOJ has built a strong track record of investing in institutions and prioritizing macroeconomic stability, which allowed Jamaica's response to recent global shocks to be prudent, agile, and supportive of 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. At the beginning of the Financial Year 2017/18, the government increased the Annual General Personal Income Tax (PIT) threshold from \$1,000,272 to \$1,500,096 million effective April 1, 2017.
- For the Financial Year 2024/25, effective April 1, 2024, the annual general PIT threshold amount will increase from JM\$1,500,096 to JM\$1,700,088 million for all individuals, whether employed and (subject to Pay As You Earn (P.A.Y.E) and/or self-employed.
- The proposed increase in the annual general PIT threshold will result in 24,702 additional PAYE taxpayers falling outside of the income tax roll. This subset of persons is part of a larger cohort of approximately 641,495 PAYE employees plus thousands of others who are self-employed.
- This increase in the PIT threshold has an associated revenue loss of approximately JM\$ 8.9 Billion for the Financial Year 2024/25.

11. Estimated flows from securitization of receivables.

- The government intends to effect the securitization of some receivables during FY 2024/25.

SUMMARY OF REVENUE MEASURES

	Revenue Impact JMS Million
1. Clarify the 25 % income tax rate for companies providing trust and corporate services.	\$0.00
2. Reduction in the CIT rate from 33 1/3% to 25% for IPPs producing at least 75% of their energy from renewable sources	(\$31)
3. Increase in the de minimis value for imported goods from US\$50 to US\$100,	(\$864)
4. Increase in the passenger duty-free threshold for personal/household effects not imported for sale or commercial exchange from US\$500 to US\$1,000	(\$331)
5. Increasing the maximum participating voting share capital for the Junior Stock Exchange from JMS500 Million to JMS750 Million.	\$0.00
6. Increase in the Pension Exemption and Age Relief Exemption to \$250,400	(\$1,073)
7. Standardizing Jamaica's GCT Tax Treatment on Raw Foodstuff	(\$2,420)
8. Removal of General Consumption Tax on Armoured Cash Courier Vehicles	(\$50)
9. Reverse Tax Credit for individuals whose statutory payments have been filed and paid in respect of CY 2023	(\$11,400)
10. Increase in the Annual General Personal Income Tax (PIT) Threshold	(\$8,951)
11. Estimated flows from securitization of receivables	\$25,120
TOTAL	\$0

Nigel Clarke

Nigel Clarke DPhil, MP
Minister of Finance and the Public Service
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