

MINISTRY PAPER 30/23

**REVENUE MEASURES FOR FINANCIAL YEAR
2023/2024**

Ministry of Finance and the Public Service

7th March 2023

MINISTRY PAPER # 30/23

REVENUE MEASURES – FY 2023/2024

The Honourable House is being requested to take note of the following revenue measures for the Fiscal Year 2023/2024. 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 reducing its carbon footprint and the utilization of renewable sources of power generation along with the further development of economic opportunities for its people. The following measures therefore provide the requisite corollary reforms, including the provision of tax credits and the elimination of taxes on some goods.

1. **Income Tax Credit on the Installation of Residential Solar Photovoltaic Systems**

- Jamaica continues to depend heavily on the importation of energy commodities evidenced by the fact that just under US\$2 billion worth of energy commodities were imported into Jamaica for FY2021/2022. This unhealthy dependence on energy commodity imports increases the vulnerability of the economy and increases risks associated with price shocks. Based on historical experience, Jamaica needs to focus on diversifying local energy needs in order to insure against world market price volatility and provide a level of stability within the local economy. In this regard, Jamaica has introduced a number of fiscal measures to incentivize the investments in the renewable energy.
- The House may recall The National Energy Policy, 2009-2030, which aims to increase the use of renewable energy in Jamaica's energy mix to 20% by 2030. The House may also recall that the Medium-Term Framework 2021-2024, has set the target for renewables in electricity generation at 30% by 2030. As at 2021, the percentage share of renewables in energy production stood at 13%.
- In keeping with these targets, the House may note PART 1C of the Third Schedule of the General Consumption Tax (GCT) Act that includes a list of Energy Saving Devices that are exempt from GCT. More recently, by way of an amendment to the GCT Act, '*lithium-ion batteries imported for use in solar application*' are also exempt from the payment of GCT. Further, pursuant to the approval by the Council for Trade and Economic Development (COTED) of the Caribbean Community (CARICOM), items such as solar inverters and lithium-ion batteries benefit from a suspension of the common external tariff (CET)

- To further incentivize investments in residential solar photovoltaic systems and increase Jamaica's use of renewable energy in electricity generation, it is proposed that an income tax credit be provided to employed and self-employed taxpayers for the purchase of a residential solar photovoltaic system. Specifically, the GOJ will provide an income tax credit equivalent to thirty per cent (30%) of the purchase cost of the solar PV system, up to a maximum of four million dollars (\$4,000,000).

Estimated Revenue losses are indeterminate given that revenue losses are dependent on the volume of income tax credit applications. Given the Government of Jamaica's commitment to meet its target of having 30% of renewables in electricity generation by 2030, as referenced in the Medium-Term Framework 2021-2024, any losses in revenue are offset by the potential positive socio-economic effects of reducing carbon dioxide emissions, diversifying local energy supply and reducing demand for crude oil.

The measure is to take effect for the year of assessment 2023.

2. Implementation of the Standard Rate of General Consumption Tax (GCT) on the Second Sale of Motor Vehicles by Registered Car Dealers

- Currently the standard rate of GCT is not applied to the sale of secondhand vehicles. Instead, a specific sum is payable based on the age and the cc rate of these vehicles being sold by individuals. Part of the challenge stems from the fact that the law calls for GCT of 15% to be collected on the full sale price for any vehicle sold by a dealer whilst an individual is able to pay a flat rate of GCT of either \$12,000 or \$18,000. As a result of the disparity in treatment between registered car dealers and individuals, registered car dealers refrain from the trade-in-space since they are unable to profit from the business of trade-ins.
- Additionally, second sales by individuals are not currently captured in the calculation for GDP, thus the benefit of formalization would lead to a more accurate reflection of the true economic activity of the motor vehicle trade in the country. This would bring Jamaica in line with other jurisdictions with Valued Added Tax regimes such as Canada, the UK and Barbados.
- The benefit of adjusting our regime is to provide more options to consumers on selling their second-hand vehicles, to reduce the hassle of selling second sale vehicles whilst removing the security exposure of sellers, and to enable the building of a vibrant trade-in market which will be more visible to the tax authorities providing additional revenue on a higher tax base.
- The proposal calls for the introduction of a margin scheme mechanism to permit GCT-registered taxpayers to account for GCT on the sale of

second-hand vehicles. The GCT will be limited to the difference between the purchase price and the selling price of the vehicles.

- Under the new scheme, Individual owners selling their motor vehicles will continue to pay a flat fee of \$12,000 and \$18,000 in lieu of GCT, while registered motor vehicle dealers, selling second sale motor vehicles (i.e. not imported new and not imported used) would pay a rate of 15% of the dealer dollar margin (and not of the sale price) but no less than the amount to be paid on individual sales.
- The example below shows a sample sale of a 2020 Honda Civic

For 2020 Civic	Personal Sale	Proposed 2nd Sale Regime	Remarks
Trade in	\$0	\$3,500,000	Customer can decide if he sells direct or does trade with dealer
Dealer margin	\$0	\$500,000	
Price before GCT	\$4,000,000	\$4,000,000	
GCT Type	Flat rate	15% of Margin	
GCT Payable	\$18,000	\$75,000	GCT is quadrupled in this case

- The scheme will be accompanied by the necessary rules and conditionalities to provide equity, improve formality and preserve government revenues.

The measure will be implemented within the first quarter of the F/Y.

3. Elimination of General Consumption Tax on the Importation of Live Horses, Small Ruminants and Pigs

Live Horses

- The horse racing industry is facing significant risk from the dwindling numbers of high quality breeding stock. Currently, the barren rate of broodmare stock has been steadily increasing since 2010. In 2010 approximately 17% of the broodmare stock was considered barren or not bred with reports from the Jamaica Racing Commission (JRC) indicating that in 2021 this figure has increased to as much as 29%. Further, approximately 40% of the broodmare stock registered with the JRC was either barren or not bred. The revenue measure aims to encourage the importation of better quality horses namely mare and fillies in order to assist the industry in the numbers of runners.

- In order to facilitate this, the General Consumption Tax on the importation of Live Horses will be eliminated. The House is being asked to note that the last time a revision of the tax treatment was provided on the importation of live horses, was effective 1st April 2015. This saw a reduction of the common external tariff from 40% to 5%.
- The proposal is expected to improve the quality of horses coming into the island. It will also assist in rejuvenating the horse racing industry, not only in terms of breed stock but also mature horses will improve the quality of race events.

The government collected JS\$6.3 million from the importation of the live horses in 2022. The effective date for implementation will be before the end of the first quarter.

Small Ruminants and Pigs

- In an effort to provide support for the local agricultural industry, with specific reference to small ruminants and the pig industry, it is proposed to remove the GCT payable on the importation of these live animals. The measure is aimed at improving local food security and provides a source of income and employment, especially for persons in the rural areas.
- The Ministry of Agriculture will be integral to monitoring and evaluating the process to ensure that the animals imported are utilized for replenishing the breeding stock only.
- The measure will have a sunset provision of five years and be subject to review prior to expiration.

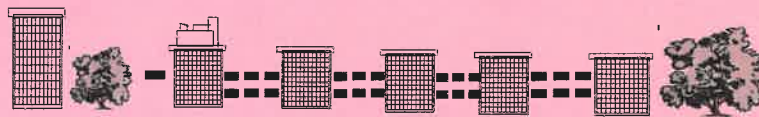
The Ministry of Agriculture and Fisheries has indicated that they intend to support the importation of approximately six thousand small ruminants over a three-year period. The estimated GCT is one hundred and sixty million dollars (\$160,000,000) The effective date for implementation will be before the end of the first quarter.

SUMMARY OF REVENUE MEASURES

	Revenue Impact \$J Million
1. Income Tax Credit on the Installation of Residential Solar Photovoltaic Systems	(\$100.00)
2. Implementation of the Standard General Consumption Tax (GCT) on the Second Sale of Motor Vehicles by Registered Car Dealers	\$0.00
3. Elimination of General Consumption Tax on the Importation of Live Horses, Small Ruminants and Pigs	(\$53.33)
TOTAL	(\$153.33)



Nigel Clarke D.Phil, MP
Minister of Finance and the Public Service
March 7, 2023



Ministry of Finance and the Public Service
30 National Heroes Circle, Kingston 4, Jamaica W.I. Tel (876) 922-8600-16
Printed by Ministry of Finance and the Public Service