

MINISTRY PAPER NO.//

TAXATION MEASURES 1999/2000

Members of this Honourable House are invited to take note of the New Tax Measures being proposed for FY 1999/2000.

I. Increase in Special Consumption Tax on Specified Petroleum Products

It is proposed to increase the Special Consumption tax on the following items:

1. Motor Spirit - Leaded Gasolene
2. Motor Spirit - Unleaded Gasolene
3. Automotive Diesel Oil
4. Kerosene Oil (Domestic)

The projected impact of the proposed increases is shown at **Appendices I and Ia**. **Appendix I** demonstrates the average prices which are likely to obtain over the next year and **Appendix Ia** demonstrates the anticipated prices at the pump on **Friday, 16th April, 1999**.

As demonstrated in **Appendix I**, the increased taxes on the specified items are :

- I. Premium gasolene by \$4.1501 per litre. The effect of this will be an estimated \$4.7602 per litre increase to the consumer.
- II. Unleaded gasolene by \$3.7898 per litre. The effect of this will be an estimated \$4.2918 per litre increase to the consumer.
- III. Automotive Diesel Oil by \$3.5829, resulting in an estimated increase of \$4.2534 per litre.
- IV. Kerosene (domestic) by \$3.5829 per litre. This is estimated to result in an estimated price increase of \$4.3674 per litre. This increase is designed to discourage the contamination of gasolene by the use of kerosene.

A sample of prices for seven regional countries is shown in the table below. Only Mexico and Trinidad have prices below the estimated price of US\$0.52 per litre for Unleaded Gasolene. The prices of these two oil producing countries are less than 10% below the anticipated price at the Jamaican pumps on April 16.

**Comparative Consumer Prices within the Region
(December 1998)**

Country	Unleaded Gasolene US\$ per Litre	Kerosene US\$ per litre	A.D.O. US\$ per litre
Argentina	0.91	0.44	0.40
Bolivia	0.68	0.19	0.41
Peru	0.64	0.29	0.38
Brazil	0.55	-	0.24
Jamaica*	0.52	0.44	0.45
Trinidad	0.45	0.18	0.20
Mexico	0.47	-	0.33

*Estimated price at April 16, 1999

Source: Petroleum Corporation of Jamaica

The estimated yield for 1999/2000 is \$2,855M and the measure will take effect from the 16th April, 1999.

II. Structure of the Petroleum Tax.

It is proposed to retain the existing structure of the tax, i.e. with a specific and an **ad valorem** segment. The proposals set out above will revise the specific segment and will allow for the recovery of the anticipated yield for 1999/2000. An **ad valorem** tax at the rate specified in the schedule below will be imposed on the amount by which the ex-refinery price exceeds the floor price per litre if the product is manufactured in Jamaica. If the product is imported, the **ad valorem** tax will be applied to the amount by which the value per litre exceeds the floor price specified in the schedule below:

Item	Rate of Ad Valorem	Floor Price per Litre \$
Leaded Gasolene	107.78	8.8427
Unleaded Gasolene	99.77	9.1970
Automotive Diesel Oil	106.12	7.7529
Kerosene (excluding Turbo Jet A1 Fuel)	92.67	8.1812

The floor price has been set at levels of \$2.50 above the existing ex-refinery price and will allow an additional amount of tax to be collected if prices exceed the relevant floor prices.

III. Increase in the Special Consumption Tax on Cigarettes.

It is proposed to:

- a. increase the Special Consumption Tax on Cigarettes by 13.8%;
- b. retain the current structure of the tax;
- c. apply all of the existing tax, plus all of the anticipated increase, to the specific segment of the tax in order to safeguard the revenue;
- d. increase the floor price for the **ad valorem** tax.

The specific tax is to be increased to \$1,286.08 per thousand cigarettes and the ad valorem rate of 39.9% will be applied to the excess over the floor price of \$2,523.92. This increase in the tax is expected to result in an increase of \$1 per cigarette.

The measure is estimated to yield \$92M in Special Consumption Tax and a resulting increase in General Consumption Tax of \$60M. The effective date will be 16th April, 1999.

IV Increase in Special Consumption Tax on Alcoholic Beverages (Spirits) the strength of which does not exceed 31.5%.

In the Special Consumption Tax Schedule, there are six separate rates of duty on specified alcoholic beverages. These rates range from 7.5% to 24.3%. The proposal is to increase the rates of spirits not exceeding 31.5% of alcohol by volume from 7.51% to 14.5%. An example of these products is Sugar Ray Rum.

Recent price increases on all alcoholic beverages will result in incremental gains for both GCT and SCT.

The estimated yield from the adjustment of the SCT rates on Spirits, not exceeding 31.5%, along with the incremental yield from the recent price increases is \$31M in Special Consumption Tax and \$29M in General Consumption Tax. The measure will take effect on April 16, 1999.

V. Increase in Travel Tax for Non-Cruise Passengers

It is proposed to amend the Travel Tax Act to allow the Departure Tax payable by Non-Cruise Passengers to be increased to \$1,000.00.

This increase will take effect on the 1st June, 1999 and is estimated to yield \$350M for 1999/2000.

VI. Increase in Motor Vehicle Licences

It is proposed to increase the amount payable for Motor Vehicle Licences as shown in **Appendix II** by 33 1/3% with effect from 1st June, 1999.

This measure is estimated to yield \$174M in 1999/2000.

VII. Levy on "Lotto" Games and the Betting Gaming and Lotteries Act.

It is proposed that the tax on winnings be abolished and replaced by a levy on the amount of gross sales retained by the promoter after prize pay-outs as follows:

- ▶ 23% of the gross sales retained on the Lotto game after prize payouts; and
- ▶ 17% of the gross sales retained on all instant games such as Catch 3;
- ▶ impose a charge of 1% on gross lottery sales for payment to the Betting, Gaming & Lotteries Commission;
- ▶ impose an annual licence fee of \$5M on each lottery promoter.

The effective date for these will be May 1, 1999. The expected yield is \$166.8M.

USER FEES

The decision was taken last financial year to systematically increase user fees on services provided by government to the public to a break-even point. In the last Budget exercise a few of these fees were amended. It is now being proposed that further user fees be implemented in the Customs Department along with increasing existing ones. Presently the majority of these documents do not attract processing fees. The documents are listed in **Appendix III**.

The majority of containers released under Selection Inspection Importation System (SIIS) are not stripped, in order to expedite processing. Those examined are usually done outside of normal working hours at the importer's private site. Compensation to the Customs Officer comes from the importer requiring the service. It is therefore proposed to shift from this arrangement of compensation by introducing a flat fee of \$3,000 per container whether released or examined to compensate for the overtime. This fee would also cover those containers released for site examination but which are not under SIIS.

These measures are estimated to yield \$216M for 1999/2000 and will take effect on June 1, 1999.

Summary of Proposals

Tax Measures	Yield J\$M
Specified Petroleum Products	2855.00
Cigarettes - Special Consumption Tax	92.00
Cigarettes - General Consumption Tax	60.00
Spirits/Beer - SCT	31.00
Spirits/Beer - GCT	29.00
Travel Tax (Departure - non-Cruise Passengers)	350.00
Motor Vehicle Licences	174.00
Levy on "Lotto" Games	<u>166.80</u>
Total	3757.80

Summary of User Fees

Customs Department	216.00
Total	3973.80

These measures and fees are expected to yield approximately \$3,973.8M or 1.6% of GDP.

Omar Davies, MP
Minister of Finance & Planning

April 9, 1999

							APPENDIX 1
PROPOSED AMENDMENT TO INCREASE TAX ON MOTOR SPIRITS FOR 1999/2000							
AVERAGE PRICE STRUCTURE FOR THE YEAR							
	PREMIUM GAS		UNLEADED GAS		AUTO DIESEL		KEROSENE
Factory Price (per litre)	6.3427		6.6970		5.2529		5.6812
Current Tax	5.0658		5.0624		4.3495		3.6859
Recovery of CET	0.3144		0.3238		0.2952		0.3129
Sub-Total	5.3802		5.3862		4.6447		3.9988
Additional Tax	4.1501		3.7898		3.5829		3.5829
Total Tax	9.5303		9.1760		8.2276		7.5817
Factory Price With Tax	15.8730		15.8730		13.4805		13.2629
Margin - 26-30%	4.1270		4.1270		3.6397		3.9789
Average Price to Consumers	20.0000		20.0000		17.1203		17.2418
Average Price ex New Tax	15.2398		15.7082		12.8669		12.8744
Increase in Price	4.7602		4.2918		4.2534		4.3674
Percentage Increase in Price	31.24		27.32		33.06		33.92
Current Tax as a % of Current Price	35.3		34.3		36.1		31.1
Total Tax as a % of New Price	47.7		45.9		48.1		44.0
Volume (Million Litres)	195		294		245		15
Increase in Revenue (J\$/million)	811		1114		877		53
Total Increase (J\$/million)	2,855						

PROPOSED AMENDMENT TO INCREASE TAX ON MOTOR SPIRITS FOR 1999/2000

ANTICIPATED PRICE STRUCTURE ON APRIL 16, 1999

	PREMIUM GAS		UNLEADED GAS		AUTO DIESEL		KEROSENE
Factory Price (per litre)	6.3427		6.6970		5.2529		5.6812
Current Tax	5.0658		5.0624		4.3495		3.6859
Recovery of CET	0.3144		0.3238		0.2952		0.3129
Total Tax	5.3802		5.3862		4.6447		3.9988
Factory Price With Tax	11.7229		12.0832		9.8976		9.6800
Margin - 30-35%	3.5169		3.6250		2.9693		3.1944
Average Price to Consumers	15.2398		15.7082		12.8669		12.8744
Current Tax as a % of New Price	35.3		34.3		36.1		31.1
Volume (Million Litres)	214		322		268		16

APPENDIX II(a)

Annual Motor Vehicle Licence Fees

Type of Vehicle	Existing	Proposed
Motor Vehicles	\$	\$
Motor Cycles not exceeding 125 cc	375	500
Motor cycles exceeding 125 cc but not exceeding 500 cc	750	1,000
Motor cycles exceeding 500 cc	1,125	1,500
Motor Cars		
Motor Cars (Taxis)	1,500	2,000
Motor Cars not deriving motive power from an internal combustion engine worked by cylinder(s)	1,500	2,000
Motor Cars (other than Taxis)	1,500	2,000
Motor Cars(not exceeding 1199 cc)	1,500	2,000
Motor Cars exceeding 1199 cc but not exceeding 2999cc	2,250	3,000
Motor Cars exceeding 2999cc, but not exceeding 3999 cc	4,500	6,000
Motor Cars exceeding 3999 cc	7,500	10,000

APPENDIX II(b)

Truck and Tractors (Petrol/Diesel)

Type of Vehicle	Existing	Proposal
Trucks and Tractors not exceeding 20 cwt/1016.46 kgs	2,250	3,000
Trucks and Tractors exceeding 20 cwt/1016.46 kgs but not exceeding 30 cwt 1524.069 kgs	2,250	3,000
Trucks and Tractors exceeding 30 cwt/1524.069 kgs, but not exceeding 40 cwt/2032.092 kgs	2,250	3,000
Trucks and Tractors exceeding 40 cwt/2032.092 kgs, but not exceeding 50 cwt/2540.115	2,250	3,000
Trucks and Tractors exceeding 50 cwt/2540.115 kgs, but not exceeding 60 cwt/3048.138 kgs, but not exceeding 120 cwt/6109.09 kgs	4,500	6,000
Trucks and Tractors exceeding 120 cwt/6109.09 kgs	4,500 plus \$100 per cwt over 120 cwt or 3,000 plus \$100 per 50.91 kgs over 6109 kgs	6,000 plus \$100 per cwt over 120 or 3,000 plus \$100 per 50.91 kgs over 6109 kgs

Trailers

Licence: Trailers \$25 per cwt/50.91 kgs \$50 per cwt/50.91kgs

Documents to Attract User Fees

Form	Current	Proposed
C7 - Application to unload/load cargo at a sufferance wharf	0	500
C15 - Application to amend report/content	0	500
C27 - Unaccompanied baggage declaration	0	500
C24A - Provisional Entry	0	1,000
C24B - Bill of sight	0	1,000
C25 - Request to import goods for temporary use	0	500
C26 - Application to remove goods under bond prior to entry	0	1,000
C32 - Request to repack warehoused goods	0	500
C33 - Application to remove goods for re warehousing	0	500
C36 - Transshipment shipping bill	0	500
C43 - Permit to export goods for subsequent re-importation	0	500
C82 - Shipping Bill for export	0	500
C78 - Import Entry	100	500
C79 - Import Entry	100	500
C80 - Import Entry Used at Airport	0	0