

# Jamaica TAX GUIDE

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# OVERVIEW OF JAMAICA TAX ADMINISTRATION AND RULES

Jamaica has established the following departments to handle tax administration:

Tax Administration Jamaica (TAJ) operates as a revenue authority (reporting to the Ministry of Finance) whose functions include compliance and tax collection, administrative and legal support, audit and assessment of income tax, general consumption tax, stamp duty, and transfer tax. The Commissioner General, TAJ has responsibility for the direction, supervision, and administration of TAJ and is supported in undertaking this role by several Deputy Commissioner Generals.

The Revenue Appeals Division of the Ministry of Finance processes appeals to decisions made by TAJ. The Jamaica Customs Agency has the powers of an executive agency and has responsibility for administering taxes at the ports of entry as well as trade facilitation.

There is also a Financial Investigations Division in the Ministry of Finance, which investigates customs breaches and fraudulent acts in respect of tax legislation.

## Taxable Period

A corporation is subject to tax on its income for a calendar year. However, where the Commissioner General, TAJ is satisfied that a corporation normally prepares financial statements to a date other than 31 December, the company may be permitted to use the profits of its own financial year rather than the calendar year as the basis of assessment. The basis period should not exceed 12 months; however, a company wishing to file its income tax return for a period exceeding this period must obtain the approval of TAJ.

## Tax Returns

Taxable income is calculated as net profit before tax, adjusted for nondeductible expenses and allowable deductions. There is also a zero-rated income tax regime on resident corporations in the country. The table summarizes below summarizes this.

### Payment of tax

Tax is payable in quarterly installments on the 15th day of March, June, September, and December of each tax year.

Quarterly installments are based on an estimate of the year's liability or the actual tax payable for the previous year. The balance of income tax payable for a taxation year, after deduction of the installments of estimated tax, is due on 15 March of the following year. Interest is charged on unpaid tax at a rate of 16.62% per annum while the amount remains unpaid. A penalty of up to 50% may also be imposed if TAJ issues an assessment.

TAJ has implemented an electronic tax system that taxpayers are required to use to file various tax returns and remit taxes online.

### Tax assessments and audits

The Commissioner General, TAJ is empowered to conduct audits on selected tax returns or to assess a taxpayer for additional tax at any time prior to the expiration of the statute of limitation, which is six years, except in certain cases. Tax audits can be carried out whether or not notices of assessment have been issued. Tax assessments may be raised where the Commissioner General, TAJ is of the opinion that a taxpayer has been assessed for less tax than the taxpayer ought to have been charged, or where the taxpayer failed to file a tax return.

### New income tax treaties

In January 2018, Jamaica signed an income tax treaty in Kingston with Italy. This is the first tax treaty between the two countries. This follows the ratification by Mexico of its income tax treaty with Jamaica in December 2017. Both treaties are now in force.

These two treaties brings to 14 the number of bilateral double taxation treaties (DTTs) that have been entered into by Jamaica to date in addition to the multilateral Caribbean Community (CARICOM) tax treaty, which covers a further ten Caribbean jurisdictions within the CARICOM Community.

### Organisation for Economic Co-operation and Development (OECD) Multilateral Tax Convention

In January 2018, Jamaica signed the OECD Base Erosion and Profit Shifting (BEPS) Multilateral Convention. Upon signature, Tax Administration

Jamaica (TAJ) also filed Jamaica's list of notifications and reservations in relation to the Multilateral Instrument (MLI). The next step will be for Jamaica to ratify this multilateral treaty and lodge instruments of ratification with the OECD. This is expected to take place later this year.

The OECD has been spearheading the implementation of an inclusive framework by over 100 OECD and non-OECD jurisdictions to tackle BEPS tax avoidance strategies.

### Tax provisions for share buy-backs

The Companies Act provides various mechanisms where by a company may either redeem or purchase its own shares subject to meeting the various conditions and requirements stipulated. Notwithstanding this, there were no complementary provisions in Jamaican tax law, and this adversely impacted the capacity of companies to implement such transactions without triggering onerous tax liabilities.

Recognising the merits of facilitating companies in undertaking share redemptions and buy-backs, the government recently amended the relevant tax laws to accommodate the redemption or purchase by a company of its own shares that are listed on a recognised stock exchange without triggering adverse tax consequences.

Introduction of Special Economic Zone (SEZ) regulations

The Special Economic Zones Act, 2016 provides for the development, regulation, construction, supervision, management, and control of SEZs in Jamaica. The Regulations to support the SEZ regime were passed in 2017.



## Overview of Jamaica Tax Types

### General consumption tax (GCT)

GCT is a value-added tax (VAT) imposed on the supply of goods or services within Jamaica (above a minimum turnover threshold) and on the import of goods or services to Jamaica. The standard rate is currently 16.5%. Higher or lower rates of GCT are applicable to certain goods and services; for example, the provision of telephone services (including phone cards) and handsets is subject to GCT at the rate of 25%, while the tax is imposed on hotels and other businesses in the tourism sector at an effective rate of approximately 10%. Operators within the tourism industry who were granted approval under legacy tourism incentives and who have not elected to move to the current regime cannot benefit from the 10% tourism GCT rate.

Subject to certain exceptions, an additional 5% advance GCT is levied on the commercial importation of goods by a GCT-registered taxpayer.

Where services are imported from a supplier who is not resident in Jamaica, the recipient of those services is deemed to be liable to account for GCT on the services. The recipient may be able to claim a credit for GCT incurred on imported services in certain circumstances; in particular, there are specific conditions where such services are received from overseas connected parties. The list of items exempt from GCT includes a range of basic food items, prescription drugs, certain medical supplies, as well as certain construction, transportation, and financial and insurance services. Zero-rated goods and services include certain agricultural and fisheries inputs, exported goods and services, and purchases by diplomatic and international organisations and foreign governments.

A GCT group accounting mechanism is available, whereby two or more affiliated entities may be approved by the Commissioner General, TAJ to be treated as a single taxpayer for GCT purposes.

### Customs duties and related imposts

Customs duty is levied on the customs value of goods imported, which is determined in accordance with the World Trade Organization (WTO) rules on customs valuation.

The rates are specified by a prescribed Customs Tariff, having regard (where appropriate) to the Common External Tariff agreed between CARICOM member states.

In addition to normal customs duties, an environmental protection levy (EPL) and a standards compliance fee (SCF) are imposed at the rate of 0.5% and 0.3%, respectively, of the customs value of goods imported. The EPL is also imposed on 75% of the sales value of locally manufactured goods with an input tax credit available for any EPL paid in respect of imported productive inputs. Customs administration fees (CAF) are charged based on the service(s) provided by Jamaica Customs. Other import levies apply in certain instances, such as additional stamp duty (ASD) on certain goods.

### Special consumption tax (SCT)

SCT is imposed at various rates on the importation or local manufacture of "prescribed goods" (i.e. certain petroleum products, ethanol, alcoholic drinks, tobacco, and motor vehicles).

### Property tax

All land in Jamaica is valued for property tax purposes on the 'site value' or 'unimproved value' (as reflected on the 2013 Property Valuation Roll). Property tax is levied by reference to various value bands at a scale of rates ranging from 0.50% to 0.90%.

### Transfer tax

A transfer tax of 5% is applicable on the consideration payable (or market value in certain instances) on the transfer of land, buildings, securities, and shares (provided that a refund is available where the transfer tax charged exceeds 37.5% of the capital gain made). Transactions on the Jamaica Stock Exchange (JSE) are exempt from transfer tax, as are the transfer of registered corporate bonds, whether or not the company is listed on the JSE.



## Stamp Duty

Stamp duty is imposed on a wide variety of legal instruments. The rate of stamp duty depends on the legal instrument involved. Stamp duty is imposed, for example, on the conveyance on sale of real estate and certain other assets at 4%, while transfers of shares in Jamaican companies attract a rate of 1%. Transfers of shares on the JSE are exempt from stamp duty, as are the transfer of registered corporate bonds, whether or not the company is listed on the JSE. Stamp duty is also imposed at an ad valorem rate on the creation or increase of a mortgage. In general, Jamaican residents and domiciled individuals are taxed on their worldwide income, while non-resident individuals are taxed on Jamaican-sourced income. A non-Jamaican domiciled individual is generally not taxable on foreign-sourced income unless one remits this to Jamaica. Notwithstanding this, a non-domiciled individual working in Jamaica is taxed on the compensation attributable to services rendered in and in relation to Jamaica (subject to certain exceptions) as well as Jamaican-sourced income.

## Minimum Business Tax

An MBT of JMD 60,000 per annum is levied on all corporate bodies incorporated or registered under the Companies Act, the Building Societies Act, the Friendly Societies Act, or the Industrial & Provident Societies Act, as well as on individuals carrying on a trade, profession, or business whose chargeable income (less emoluments and an amount equivalent to the annual tax-free threshold) exceeds JMD 3 million per annum.

The MBT is payable in two tranches and is creditable against the taxpayer's income tax liability for the year of assessment.

In the case of an individual taxpayer, any MBT paid in excess of income tax liability for the year of assessment may be refunded or carried forward. Companies, however, are not entitled to a refund or carryforward of excess MBT.

### Asset Tax

An ad valorem asset tax at the rate of 0.25% is imposed on the 'taxable value' of the assets of deposit-taking institutions regulated by the Bank of Jamaica, as well as securities dealers, life assurance companies, and property and casualty insurance companies regulated by the Financial Services Commission. The taxable value of assets is broadly determined as the value of assets on the balance sheet with adjustments for certain items specific to each type of institution.

For other entities, asset tax is imposed at a fixed rate ranging from JMD 5,000 to JMD 200,000, depending on the aggregate value of the entity's assets, and is payable on or before 15 March annually.

### Contractors levy

Payments to contractors (including sub-contractors) in respect of construction, haulage, and tillage operations are liable to a withholding of a contractors levy of 2% of the gross amount paid. This must be remitted to TAJ within 14 days of the end of the month in

which the payment is made. The levy paid is allowable as a credit against the income tax liability of the contractor in the year of assessment in which the levy is deducted. To the extent that there is any excess, it is not refundable.

### Guest accommodation room tax (GART)

GART is levied at a specific rate on hotels and other tourist accommodation facilities based on room occupancy. GART is tiered depending on the number of rooms at the hotel or other tourism accommodation facility.

### Telephone call tax

Tax is imposed on telephone calls, including inbound calls terminating on fixed or mobile networks.

## Jamaica Tax Guide for Individuals

### Taxable Period

An individual is subject to tax on one's income for a calendar year; however, a taxpayer may obtain the approval of the Commissioner General, TAJ to file on a fiscal-year basis.

### Tax returns

Income tax returns are due for filing on 15 March in the year following the year of assessment and are based on a system of self-assessment of the tax payable. However, an individual who expects that income tax will be payable by one's self only in respect of emoluments is not required to file an income tax return.

Husbands and wives generally file separately and must elect in writing to be jointly assessed.

### Payment of tax

Tax is payable in quarterly installments on the 15th day of March, June, September, and December of each tax year. Quarterly installments are based on an estimate of the year's liability or the actual tax payable for the previous year. The balance of income tax payable for a taxation year, after deduction of the installments of estimated tax, is due on 15 March of the following year. Interest is charged on unpaid tax at a rate of 16.62% per annum while the amount remains unpaid. A penalty of up to 50% may also be imposed if TAJ issues an assessment.

Income tax (PAYE) is withheld from emoluments; however, where withholding is not possible (e.g. because the employer is not resident in Jamaica), the taxpayer will be required to make payment of estimated tax in quarterly installments.

### **Tax assessments and audits**

The Commissioner General is empowered to conduct audits on selected tax returns or to assess a taxpayer for additional tax at any time prior to the expiration of the statute of limitation, which is six years, except in certain cases. Tax audits can be carried out whether or not notices of assessment have been issued. Tax assessments may be raised where the Commissioner General is of the opinion that a taxpayer has been assessed for less tax than one ought to have been charged, or where the taxpayer failed to file a tax return.

### **Personal income tax rates**

Individuals are generally liable to income tax at a rate of 25% on income in excess of the annual tax-free threshold. However, individuals with income exceeding 6 million Jamaican dollars (JMD) per annum are subject to income tax at a rate of 30%. With effect from 1 April 2017, the nil-rate threshold is JMD 1.5 million.

### **Local income taxes**

Tax is imposed on individuals at the national level. Income tax is not separately imposed at the local level.

### **Payroll taxes**

Payroll taxes are imposed at the national level on emoluments paid by employers to their employees, including (subject to certain conditions) expatriates who undertake work in Jamaica. The taxes comprise Pay-As-You-Earn (PAYE) Income Tax, Education Tax, and contributions to the National Housing Trust (NHT), the National Insurance Scheme (NIS), and the Human Employment and Resource Training (HEART) Trust.

Employers are obligated to deduct and remit payroll taxes within 14 days after the end of the month in which the emoluments are paid. Employers and employees contribute at the following rates:

Payroll tax	Basis	Employee rate (%)	Employer rate (%)
PAYE Income Tax	Taxable emoluments up to 6 million Jamaican dollars (JMD) per annum less the annual tax-free threshold	25.00	N/A
	Taxable emoluments in excess of JMD 6 million per annum	30.00	N/A
Education Tax	Taxable emoluments	2.25	3.50
NHT contributions	Gross emoluments	2.00	3.00
NIS contributions	Gross emoluments up to a maximum of JMD 1.5 million per annum	2.50	2.50
HEART contributions	Gross emoluments	N/A	3.00

## Individual - Residence

Individuals are treated as being resident in Jamaica for a tax year (being the calendar year) if they satisfy any of one of several conditions:

- They spend at least six months in Jamaica in the tax year or visit Jamaica with the intention of establishing tax residence and actually do so.
- They (or their spouses) have a place of abode available for their use in Jamaica, and they visit the island at any time during the tax year, no matter how short the stay.
- They habitually visit Jamaica for substantial periods. The Commissioner General, Tax Administration Jamaica (TAJ) generally regards periods totalling three months as substantial and visits occurring in four consecutive years as habitual.

## Employment income

An individual who is resident but not domiciled in Jamaica is taxed on the emoluments (salary, living allowances, benefits in kind, use of company cars, etc.) received for work done for or relating to Jamaica, regardless of where payment is made and regardless of whether the emoluments are remitted to Jamaica.

Benefits provided to employees, whether in cash or kind, are taxable. The taxable benefit arising from the private use of a company car ranges from JMD 30,000 to JMD 140,000 per annum and is determined by reference to the cost, the age, and the relative percentage of private use.

Reimbursement of excess tax paid over the tax that would be chargeable on the same amount of income in the recipient's home country (tax equalisation) is exempt from tax.

### Housing accommodation benefit

Housing accommodation provided to an employee by an employer is a taxable benefit. The taxable value of benefit varies, subject to certain conditions being met.

### Uniform and other non-cash benefits

The charge to income tax in respect of uniform and other non-cash benefits is to be determined by reference to the full cost of providing the uniform and other benefits in kind. Previously, the Income Tax Act did not prescribe a basis for the valuation of non-cash benefits derived by employees, with certain exceptions (e.g. the provision of accommodation benefit, company cars, or preferential loans by specified financial institutions). Nominal tax-free allowances of up to JMD 5,739 per annum in respect of the provision of uniforms and JMD 3,395 per annum in respect of laundry still apply for specified categories of workers.

### **Capital gains and investment income**

An individual who is resident but not domiciled in Jamaica is taxed in Jamaica on investment income arising outside of Jamaica to the extent that the income is remitted to Jamaica.

#### **Capital gains**

There is no tax on capital gains in Jamaica. There is, however, a transfer tax on the market value of certain assets transferred and stamp duty payable on the transfer/disposal of shares or real property.

### **Dividend income**

Ordinary dividends paid by Jamaican tax-resident companies to Jamaican tax-resident shareholders are liable to tax at the rate of 15%. The tax is to be deducted on payment by the distributing company and represents the final tax on such dividends. Additionally, the dividend income on which tax is payable may not be offset by tax losses, and expenses incurred to earn the dividend are no longer deductible in arriving at chargeable income.

Preference dividends that qualify as tax deductible expenses of the paying company (see below) continue to be liable to tax at a rate of 25% where the

recipient is an individual. Dividends paid to non-resident shareholders are subject to income tax thereon at the default rate of 25% in the case of an individual (subject to any treaty protection or incentive relief available). Subject to certain conditions being met, a company may claim an income tax deduction in respect of preference dividends paid during the year of assessment. However, to the extent that these preference dividends do not qualify for this income tax deduction, they will be treated in the manner indicated above.

### **Interest income**

Income tax at the rate of 25% is deducted at source from gross interest paid to Jamaican residents (i.e. individuals and companies) by a 'prescribed person'. Prescribed persons include commercial banks and other financial institutions.

Interest paid by a resident person to a non-resident individual is subject to withholding tax (WHT) of 25% (unless a lower rate of withholding is applicable by virtue of tax treaty protection available).

## Jamaica Tax Guide for Companies

### Corporate - Taxes on corporate income

A resident corporation is taxable on its worldwide income. Non-resident companies are subject to tax on Jamaican-sourced income. Tax is imposed on certain sources of income, such as interest, dividends, royalties, and fees, by way of withholding at a rate of 33% for non-resident corporations. Lower rates of withholding are possible, provided that the recipient is resident in a country that has concluded a DTT with Jamaica.

The current rates of corporate income tax (CIT) are as follows:

Classification	Definition	CIT rate (%)
Regulated company	A company that is regulated by the Bank of Jamaica (other than building societies), the Financial Services Commission (other than life assurance companies), the Office of Utilities Regulation, or the ministry with responsibility for finance.	33 $\frac{1}{3}$
Building society	An entity similar to a savings and loan association.	30
Life assurance companies		25
Unregulated company	A company (that is not a regulated company) registered and operating within Jamaica.	25

The income of certain organisations is specifically exempt from income tax. These include pension and superannuation funds and charitable organisations that are approved by the Commissioner General, TAJ.



### **Local income taxes**

Income tax is imposed at the national level. Income tax is not separately imposed at the local level.

### **Social security contributions**

Employers are obligated to deduct and remit the following contributions, in addition to Pay-As-You-Earn (PAYE) Income Tax applicable to employees, by the 14th day of the month following the month of deduction.

#### **National insurance scheme (NIS) contributions**

Employees and self-employed persons are required to be insured under a state-administered programme of social security insurance. Employees and self-employed persons contribute at a rate of 2.5% on a maximum remuneration/earnings of JMD 1.5 million. Employers also contribute at a rate of 2.5% on a maximum remuneration of JMD 1.5 million. NIS contributions are tax deductible.

#### **National housing trust (NHT) contributions**

NHT contributions are made by employers at the rate of 3% while employees contribute at the rate of

2% on all taxable emoluments received from employment in Jamaica. Self-employed persons also contribute at a rate of 2% of earnings. An employer's contribution is tax deductible but that of an employee is not. Employee's contributions are refunded after seven years, and an employer's contribution is not refundable.

Expatriate employees, on application, are entitled to a refund of their contributions when they leave the island permanently.

#### **Education Tax**

Education Tax is charged at the rates of 3.5% for employers and 2.25% for employees after the deduction of NIS contributions and contributions to an approved superannuation scheme. Only the employer's contributions are tax deductible, and the amounts paid are not refundable to either the employer or the employee.

#### **Human Employment and Resource Training (HEART) contributions**

HEART contributions are payable monthly by employers only, at the rate of 3% of the wage bill. The contributions are tax deductible.

## Consumption taxes

### General consumption tax (GCT)

GCT is a value-added tax (VAT), and the standard rate is currently 16.5%. Higher or lower rates of GCT are applicable to certain goods and services.

See the Other taxes section in the Corporate tax summary for more information.

### Special consumption tax (SCT)

SCT is imposed at various rates on the importation or manufacture of 'prescribed goods' (certain petroleum products, ethanol, alcoholic drinks, tobacco, and motor vehicles).

### Property tax

All land in Jamaica is valued for property tax purposes on the 'site value' or 'unimproved value' (as reflected on the 2013 Property Valuation Roll. Property tax is levied by reference to various value bands at a scale of rates ranging from 0.50% to 0.90%.

### Transfer tax

A transfer tax of 5% is applicable on the consideration payable (or market value in certain instances) on the transfer of land, buildings, securities, and shares (provided that a refund is available where the transfer tax charged exceeds 37.5% of the capital gain made). Transactions on the Jamaica Stock Exchange (JSE) (including the Junior Stock Exchange) are exempt from transfer tax, as are the transfer of registered corporate

bonds, whether or not the company is listed on the JSE. There is no inheritance tax or capital gains tax regime in Jamaica.

### Stamp duty

There is stamp duty of 1% payable on the transfer/disposal of shares and 4% for real property sold/transferred. Transactions on the JSE are exempt from stamp duty, as are the transfer of registered corporate bonds, whether or not the company is listed on the JSE. Stamp duty is also imposed at a nominal rate of JMD 100 on instruments effecting a refinancing of an existing mortgage. Where, however, the mortgage is increased, the normal ad valorem stamp duty rates shall apply to the amount by which the mortgage is increased.

### Minimum business tax (MBT)

An MBT of JMD 60,000 per annum is levied on all corporate bodies, as well as on individuals carrying on a trade, profession, or business whose chargeable income (less emoluments and an amount equivalent to the annual tax-free threshold) exceeds JMD 3 million per annum. The MBT is payable in two tranches: JMD 30,000 on 15 June and 15 September of the year of assessment to which it relates. The MBT is creditable against the taxpayer's income tax liability for the year of assessment. In the case of an individual taxpayer, any MBT paid in excess of income tax liability for the year of assessment may be refunded or carried forward.

### **Employment tax credit (ETC)**

The ETC is a non-refundable tax credit that is available to tax-compliant employers, including individuals, in computing their income tax liability.

ETC is capped at 30% of the income tax payable on profits from business operations. With a headline income tax rate of 25%, the tax credit therefore provides tax-compliant individuals with an opportunity to reduce the effective income tax rate on their trading profits to as low as 17.5%.

The ETC may not be claimed against any income tax chargeable on non-trading income (e.g. passive investment income) nor can it be claimed in the year of assessment where the taxpayer incurred a tax loss on business operations. The amount must be utilised in the year that the statutory payments are made. Unutilised amounts are not available to be carried forward or back to be utilised in the other years of assessment.

### **Foreign tax relief and tax**

Foreign tax paid on income that is not taxed in Jamaica is not available as a credit against the individual's Jamaican tax liability.



## Tax treaties

Jamaica over the years has signed several Tax Treaties.

WHT is required to be deducted from chargeable payments made to non-residents and remitted to TAJ (along with the applicable return) within 14 days of the end of the month in which the payment is made in order to avoid the imposition of interest and penalties.

Subject to securing approval from TAJ (where appropriate), the following rates of WHT apply to the categories of payments highlighted (this is not an exhaustive list):

Recipient	WHT (%) (4)				
	Dividends		Interest	Royalties	Management fees
	Portfolio	Substantial holdings (5)			
China, People's Republic of	5	5	7.5	10	0 (4)/33⅓
Denmark	15	10	12.5	10	10
France	15	10	10	10	10
Germany	15	22.5	12.5 (7)	10	10
Israel	22.5	15	15	10	33⅓
Mexico (8)	10	5	10	10	10
Norway	15	15	12.5	10	10
Spain	10	5	10	10	0 (9)/10
Sweden	22.5	10	12.5	10	10
Switzerland	15	10	10 (7)	10	0 (9)/10
United Kingdom	15	22.5	12.5	10	12.5
United States	15	10	12.5	10	0 (4)/33⅓

Recipient	WHT (%) (4)				
	Dividends		Interest	Royalties	Management fees
	Portfolio	Substantial holdings (5)			
Resident corporations	15 (1)	0 (1)	25 (3)	0	0
Resident individuals	15 (2)	15 (2)	25 (3)	0	0
Non-treaty:					
Non-resident corporations	33½	33½	33½	33½	33½
Non-resident individuals	25	25	25	25	25
Treaty:					
Canada	15	22.5	15	10	12.5
CARICOM countries (6)	0	0	15	15	15

## Notes

1.Substantial holdings refer to resident companies that hold 25% or more of the voting rights of the paying Jamaican resident company.

2.Tax is withheld at the rate of 15% where a dividend is paid by a company resident in Jamaica to a resident individual shareholder, regardless of shareholding.

3.Tax is deducted from interest paid to Jamaican residents if payment is made by a prescribed person.

4.Provided the income is not effectively connected with a PE in Jamaica.

5.Applies only to companies owning a substantial holding (percentage ownership as prescribed by the treaty).

6.Rates apply only to residents of member states that have ratified the tax treaty.

7.Rate reduced further if received by a bank recognised as a banking institution under the laws of that state.

8.Comes into effect for WHT from 1 January 2019.

9.Provided the services are rendered outside of Jamaica or if in Jamaica (within a prescribed period).

WHT is also imposed at the rate of 15% on insurance premiums paid by Jamaican residents to non-residents (subject to certain exceptions and protection under a tax treaty). WHT of 3% is imposed on payments in respect of 'specified services' purchased locally (above a de minimis amount of JMD 50,000 per invoice).

WHT withheld should be available for offset against the payee's income tax liability on the filing of returns.

## Tax credits and incentives available to Companies in Jamaica

Jamaica grants relief from taxation to companies who have been approved under the following incentive legislation:

- The Special Economic Zones (SEZ) Act.
- The Urban Renewal (Tax Relief) Act.
- The Income Tax Act (Junior Stock Market Companies).
- The Income Tax Relief (Large-Scale Projects & Pioneer Industries) Act.
- The Bauxite and Alumina Industries (Encouragement) Act.
- The Charitable Organizations (Tax Harmonization) (Miscellaneous Provisions) Act.

### **Special Economic Zones (SEZ)**

The Special Economic Zones (SEZ) Act was passed in January 2016 and repealed the Jamaica Export Free Zones Act. It has established a regime to support the designation, promotion, development, operation, and management of SEZs.

A person may be declared to be a 'developer' or 'occupant' under the SEZ Act. Tax incentives that are

available to a developer or occupant under the SEZ Act include relief from asset tax and a reduced rate of income tax, property tax, transfer tax, GCT, and customs duty. However, these incentives are not available to developers or occupants who are eligible for relief under a number of other enactments.

A number of industries/business activities are specifically prohibited in the SEZ, including (but not limited to) mining or quarrying for natural resources, services pertaining to tourism, telecommunications, public utilities, financial services, construction, real estate, and property management.

### **The Urban Renewal (Tax Relief) Act**

The Urban Renewal (Tax Relief) Act provides tax incentives to persons approved under the Act in connection with undertaking programmes of development in areas designated as special development areas, with a view to improving or restoring them. The tax incentive provides certain tax benefits, including relief from income tax on rental income and interest earned by an investor in an Urban Renewal Bond. There is also exemption from stamp duty and transfer tax on the transfers of property. A tax credit based on expenditure incurred on capital improvement works in a designated special development area is also available. In addition, lessees of the improved properties, who satisfy certain criteria, are able to claim a tax deduction of double the rental paid.



### **The Income Tax Act (Junior Stock Market Companies)**

Subject to certain conditions being met, a company listed on the Junior Market of the JSE is eligible for full exemption from income tax on their profits in the first five years from the date of admission to the Junior Market, with a 50% exemption from income tax on their profits in next following five years.

#### **Employment tax credit (ETC)**

The ETC is comprised of a non-refundable tax credit that is available to employers in computing their income tax liability. A number of taxpayers are ineligible to claim this tax credit.

The ETC is computed by reference to payroll taxes (excluding PAYE income tax) filed and remitted by their due date by the employer, subject to an overall cap. With a headline income tax rate of 25%, the ETC therefore provides tax-compliant employers with an opportunity to reduce the effective income tax rate on their trading profits to as low as 17.5%.

Where a company makes a distribution (dividends and certain other benefits to shareholders), the credit is clawed back by TAJ to the extent of 10% of the distribution, less the tax payable by the recipient of the distribution (i.e. the ETC clawback only applies where tax imposed on the recipient of the distribution is less than 10%). The credit clawed back must be repaid to TAJ within 14 days of the end of the month in which the distribution is made.

### **Incentives for large-scale projects/pioneer industries**

The Income Tax Relief (Large-Scale Projects & Pioneer Industries) Act is designed to encourage innovation and high-value investments. It provides a mechanism through which additional income tax incentives can be offered in circumstances where the Minister of Finance designates (subject to affirmative resolution in Parliament) a project as an approved large-scale project or an economic activity as an approved pioneer industry.

Participants in either a designated large-scale project or a pioneer industry may subsequently be approved by Ministerial Order, which will stipulate the extent of relief granted. The income tax relieved under all orders issued pursuant to this mechanism in any year will be capped at 0.25% of the country's gross domestic product (GDP) for the previous financial year.

#### **Productive inputs relief (PIR)**

There is relief from customs duty and additional stamp duty on the importation of certain 'productive inputs' that are directly used in the 'production of primary products' or the 'manufacture of goods'. In addition to the manufacturing and agricultural sectors, relief is also granted on certain products imported for use in the tourism, creative arts, and healthcare industries.

The relief is subject to the proviso that imported items are not available in adequate supplies from a local manufacturer or from a manufacturer within the CARICOM Common Market area or are not otherwise prohibited from benefitting from this relief.

### **Bauxite and Alumina Industries (Encouragement) Act**

A person engaged in mining bauxite and producing alumina in Jamaica may be approved as a recognised bauxite producer or a recognised alumina producer (or both) and obtain the following tax reliefs:

Relief from customs duty, additional stamp duty, and GCT in respect of the importation of plant, machinery, trucks and other vehicles, and other specified material and equipment that are necessary for the winning, treatment, and transportation in Jamaica and shipping of bauxite and alumina.

Relief from customs duty or other similar impost on the importation of certain petroleum fuels and oils (excluding petrol) during the concession period.

Tax incentives for charitable organisations

The Charities Act provides a mechanism for registered charitable organisations to obtain exemption from income tax, customs duty, , property tax, stamp duty, and transfer tax.

### **Non-resident deposits**

Non-residents who place deposits with Jamaican banks can earn interest free of Jamaican tax in certain circumstances. The deposits may be

designated in foreign currency or Jamaican dollars.

Employee Share Ownership Plan (ESOP)

Certain tax benefits accrue to employees and employers in respect of contributions to an approved ESOP as well as the allocation of shares from such plans.

### **Foreign tax credit**

The avoidance of double taxation is achieved by means of foreign tax credits available under most tax treaties or by means of exemption in the case of the CARICOM treaty. Under the provisions of the Income Tax Act, a foreign tax credit is also available to companies in Jamaica that have paid or are liable to Commonwealth Income Tax. Where recourse cannot be had through either of these methods, by convention, in practice, partial relief by way of expense deduction is granted against income for the foreign tax.

Group taxation is generally not permitted in Jamaica, with the exception of a mechanism to permit group filing of returns for GCT purposes.

### **Transfer pricing**

Jamaica has implemented a transfer pricing regime consistent with the OECD's guidelines on transfer pricing for multinationals in an effort to protect its tax base and address issues of tax avoidance, particularly in relation to cross-border transactions. Detailed transfer pricing rules seek to ensure that taxpayers compute their taxable income using a deemed arms-length consideration (determined in accordance with prescribed methodologies) for all transactions between connected parties (where different to the actual consideration involved).

All taxpayers who engage in such transactions are required to disclose information pertaining to the identity of connected persons, particulars, and pricing arrangements of such transactions primarily through the annual income tax return and to retain this documentation in support of the income tax return. Business entities with gross annual revenues of JMD 500 million or more are required to comply with extensive OECD standard transfer pricing documentation requirements.

The rules also empower the tax authorities to deem

an unconnected person located in a low-tax jurisdiction to be a connected person under certain circumstances.

### **Thin capitalisation**

There are no provisions for thin capitalisation in the tax laws of Jamaica. It has been proposed, however, that such provisions should be introduced in the future.

### **Controlled foreign companies (CFCs)**

There is no CFC regime in Jamaica.

### **Capital gains and investment income**

An individual who is resident but not domiciled in Jamaica is taxed in Jamaica on investment income arising outside of Jamaica to the extent that the income is remitted to Jamaica.

#### **Capital gains**

There is no tax on capital gains in Jamaica. There is, however, a transfer tax on the market value of certain assets transferred and stamp duty payable on the transfer/disposal of shares or real property.

### **Dividend income**

Ordinary dividends paid by Jamaican tax-resident companies to Jamaican tax-resident shareholders are liable to tax at the rate of 15%. The tax is to be deducted on payment by the distributing company and represents the final tax on such dividends. Additionally, the dividend income on which tax is payable may not be offset by tax losses, and expenses incurred to earn the dividend are no longer deductible in arriving at chargeable income.

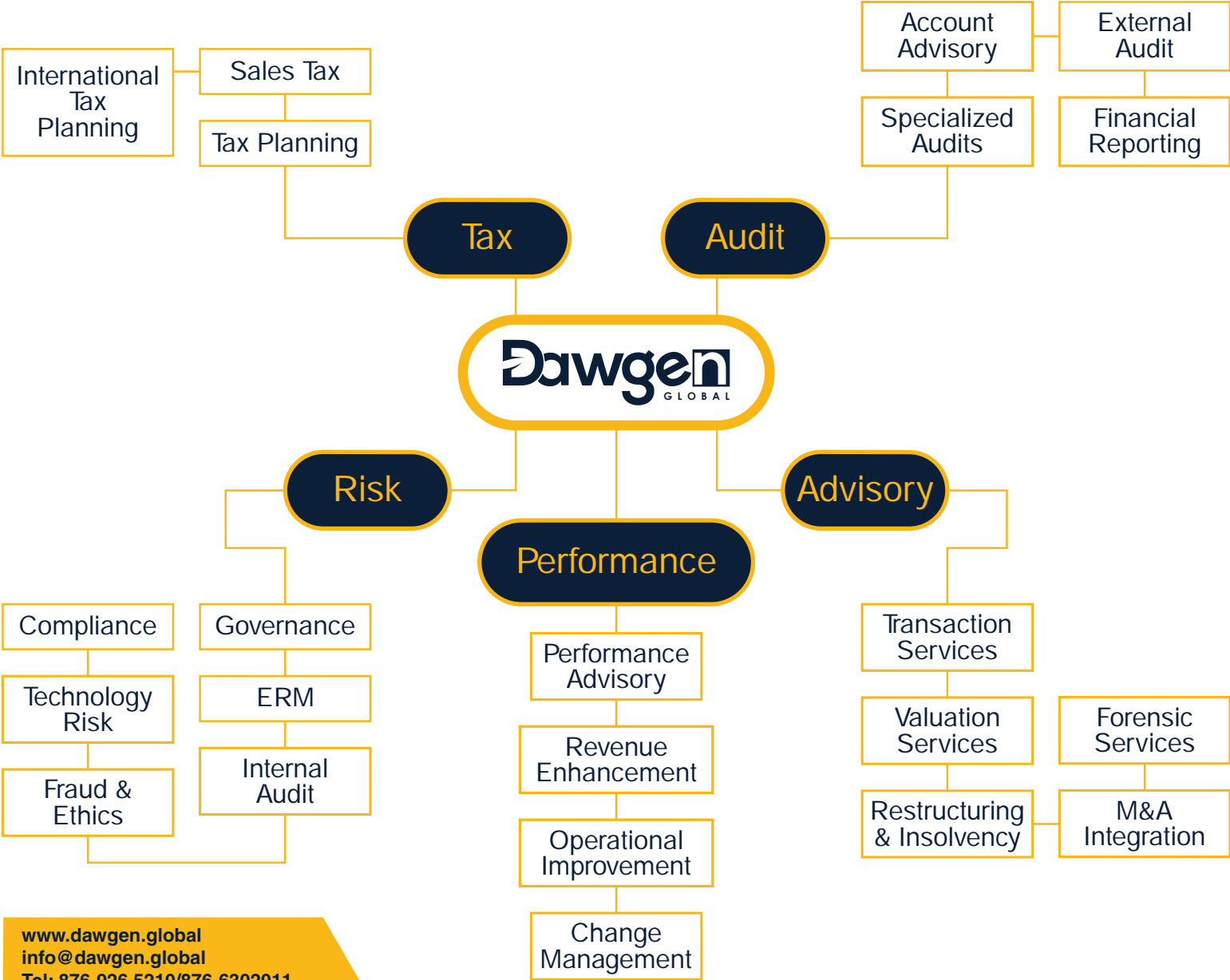
Preference dividends that qualify as tax deductible expenses of the paying company (see below) continue to be liable to tax at a rate of 25% where the

recipient is an individual. Dividends paid to non-resident shareholders are subject to income tax thereon at the default rate of 25% in the case of an individual (subject to any treaty protection or incentive relief available). Subject to certain conditions being met, a company may claim an income tax deduction in respect of preference dividends paid during the year of assessment. However, to the extent that these preference dividends do not qualify for this income tax deduction, they will be treated in the manner indicated above.

### **Interest income**

Income tax at the rate of 25% is deducted at source from gross interest paid to Jamaican residents (i.e. individuals and companies) by a 'prescribed person'. Prescribed persons include commercial banks and other financial institutions.

Interest paid by a resident person to a non-resident individual is subject to withholding tax (WHT) of 25% (unless a lower rate of withholding is applicable by virtue of tax treaty protection available).



## ABOUT DAWGEN GLOBAL

Dawgen Global is an integrated multidisciplinary professional service firm in the Caribbean Region. We are integrated as one Regional firm and provide several professional services including: audit, accounting, tax, Information Technology, Risk, HR Solution, Performance, M&A, corporate finance and other advisory services.

Our Caribbean regional network covers Jamaica, Trinidad and Tobago, Bahamas, Bermuda, the Cayman Islands, the Eastern Caribbean (Barbados, Antigua, St Lucia, Grenada, and St Kitts & Nevis), the Netherlands Antilles (Bonaire, Curacao, and St Maarten) and Aruba and the Turks and Caicos Islands.

Our regional focus is to improve services to local, regional and international clients. Through our affiliation and membership in other Global Networks and Associations, we offer a global perspective while maintaining our regional insight by seeking alternatives for you – we tap the power of both.

Our multidisciplinary teams of professionals leverage a wealth of industry-tailored, practical approaches to help you discover opportunities for your business. Whether your organization is strong and healthy, under stress or facing difficult choices, we work with you to find financial, strategic and operational solutions that improve your liquidity, financial flexibility and stakeholder returns. We're here to help you build a sustainable business – in the short and long-term.

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