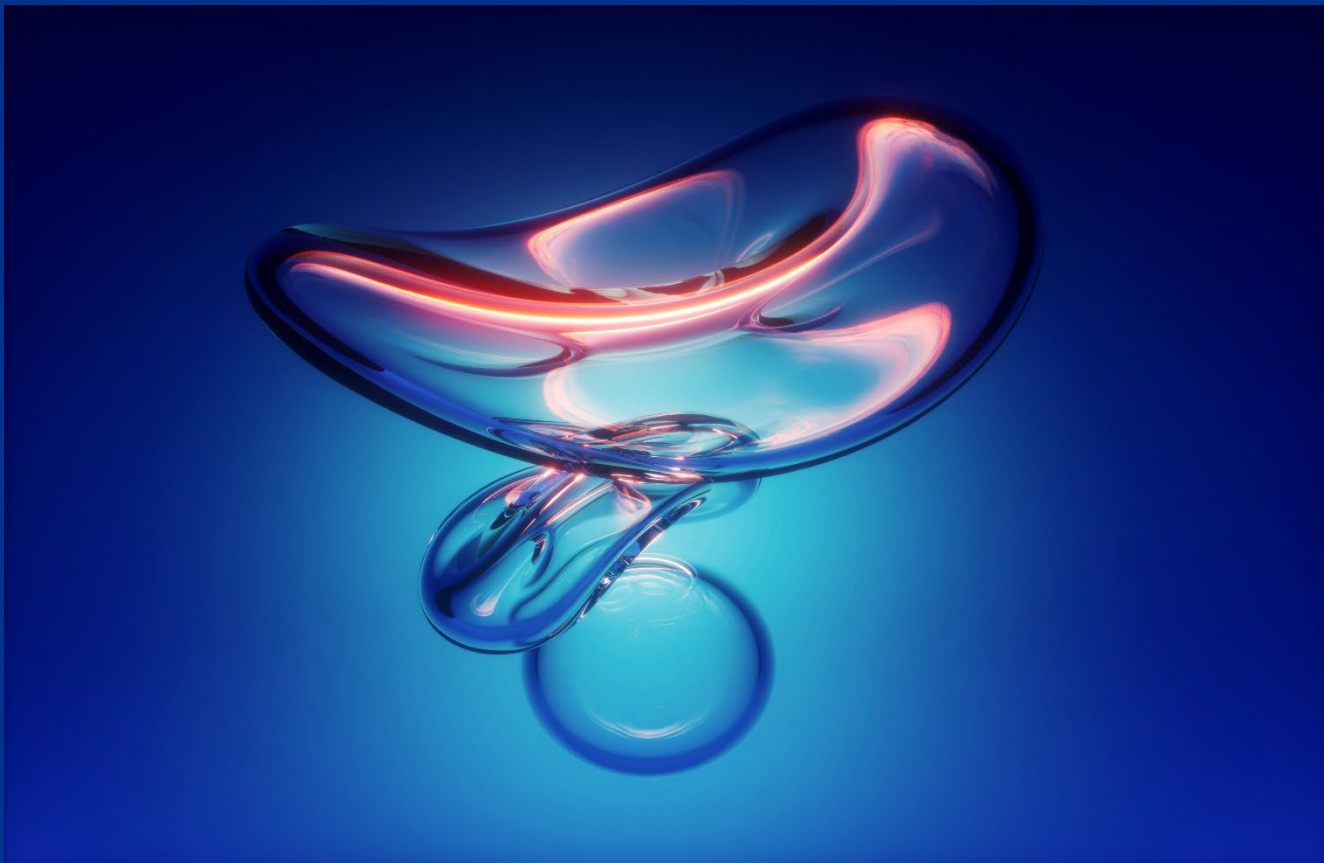




Jamaica post-budget tax bulletin 2023/24

“Preserving, Increasing & Sharing the Gains of Economic Recovery”



March 31, 2023

<https://home.kpmg.co.jm>

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Budget Overview

The Minister of Finance and the Public Service, Dr. the Hon. Nigel Clarke, DPhil., MP, (“the Minister”), gave his opening budget presentation on March 7, 2023.

The presentation entitled **“Preserving, Increasing & Sharing the Gains of Economic Recovery”**, showcased the significant steps that the Jamaican economy has made on the path to recovery since the first signs of the negative economic impact of COVID-19.

Consistent with the Minister’s budget presentations for the past five financial years, this budget presentation confirmed that there would be “no new taxes”.

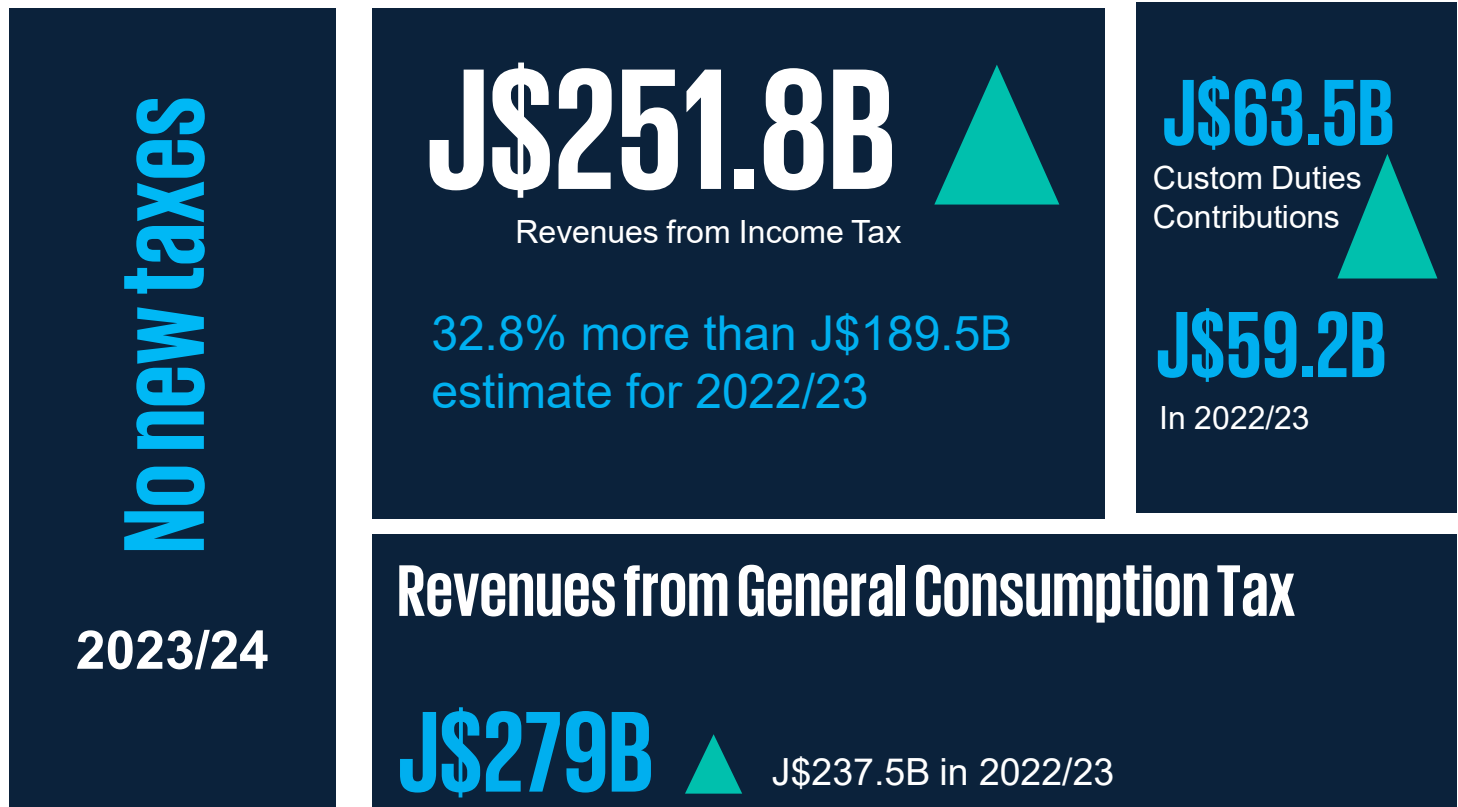
This consistent theme has focused the efforts of Tax Administration Jamaica (TAJ) on consolidating and enhancing existing enforcement measures, and improving the Revenue Administration Information System (RAiS) to facilitate better taxpayer communication and more efficient taxpayer compliance through e-Filing.

We have reviewed the Revenue Measures proposed for financial year 2023/2024 contained in the related Ministry Paper 30/23 and below are the highlights from that document and the Minister’s presentation. We have also presented critical highlights of Prime Minister, the Most Hon. Andrew Holness’, ON, PC, MP, contribution to this year’s budget debate on March 16, 2023.



Proposed Revenue Measures

Proposed Revenue Measures



▲ Increase from 2022/23 projections

The above estimates suggest much more will be done by the tax authorities to close existing enforcement and collection gaps.

However, there are a number of tax measures announced that will help to alleviate some of the existing tax burdens for taxpayers.

See the following pages for highlights.

Proposed Revenue Measures (cont'd)

30% Income Tax Credit: Installation of Residential Solar Photovoltaic Systems

Effective for year of assessment 2023, an income tax credit equivalent to 30% of the purchase cost of a residential solar photovoltaic system (solar PV system), up to a maximum of four million Jamaican dollars (J\$4,000,000), is proposed to be provided to employed and self-employed taxpayers. .

Estimated Revenue losses from the measure are indeterminate, as revenue losses will be determined by the volume of income tax credit applications. However, the Government of Jamaica (GOJ) is open to absorbing the revenue losses, as the revenue losses will be offset by the potential positive socio-economic effects of reducing carbon dioxide emissions, diversifying local energy supply sources, and reducing demand for crude oil.

The measure is geared towards incentivizing investments in residential solar PV systems and increasing Jamaica's use of renewable energy in electricity generation, which is in line with broader GOJ policy. Further, GOJ's National Energy Policy, 2009-2023 aims to increase the use of renewable energy in Jamaica's energy mix to 20% by 2030. The Medium-Term Framework 2021-2024 sets the target for renewables in electricity generation at 30% by 2030, all of which are in keeping with Jamaica's Nationally Determined Contribution to the United Nations Framework Convention on Climate Change.

Currently, Jamaica depends heavily on imported energy commodities evidenced by the just under US\$2 billion worth of energy commodities imported into Jamaica for financial year 2021/2022. As of 2021, the percentage share of renewables in energy production was only 13%. Jamaica's dependence on imported energy commodities increases the risk to Jamaica's economy, as it leads to price shocks. Therefore, GOJ aims to focus on diversifying local energy supply to mitigate world market price volatility and local economy stability. Therefore, the measure is in line with the GOJ's domestic and international goals.

General Consumption Tax ("GCT") Reform: Second Sale of Motor Vehicles by Registered Car Dealers

Effective in the first quarter of 2023 (April – June), it is proposed that registered car dealers making a second sale of motor vehicles (i.e. not the sale of imported new or used motor vehicles) would charge a GCT rate of 15% of the dealer dollar margin (and not of the sale price). The dealer dollar margin is the difference between the purchase price and the selling price of the vehicles. However, that GCT amount shall be no less than the flat fee of J\$12,000 or J\$18,000, which is paid in lieu of GCT by individual owners, who are not car dealers, when selling their motor vehicles. This flat fee will continue to be paid by such individuals, and the amount payable is determined by the age and cc rating of the second sale motor vehicles.

The measure aims to address the disparity in GCT treatment between sales by registered car dealers and by individuals. Currently, individuals pay a specific sum based on the age and cc rating of second sale motor vehicles. However, the current law stipulates that 15% GCT is payable on the full sale price for any vehicle sold by a car dealer. Consequently, registered car dealers refrain from trade-in-transactions due to the lack of profitability because of the higher GCT charged on their sales.

Overall, the main objective of the measure appears to be incentivizing registered car dealers to participate more in the second sale of motor vehicles through trade-in transactions. Another expected benefit of the measure is to provide consumers with more options to on-sell their second sale vehicles.

Proposed Revenue Measures (cont'd)

General Consumption Tax (“GCT”) Reform: Second Sale of Motor Vehicles by Registered Car Dealers

This measure will reduce the hassle of individuals personally selling second-hand vehicles, remove the security risks that individual sellers face through sharing their personal information publicly for advertisement purposes, and support a more vibrant trade-in market. It is also expected that such transactions will be more visible to the tax authorities, and the stimulated business activity will ultimately provide additional revenue on a higher tax base.

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

GCT Removal on the Importation of Live Horses, Small Ruminants and Pigs

Live horses

GCT applicable to the importation of live horses in Jamaica is slated to be removed during the first quarter of 2023 (April – June). The Ministry Paper indicates that the removal of GCT is to encourage importation of better-quality horses into Jamaica to assist with replenishing the dwindling breeding stock.

The removal of GCT acknowledges the challenges faced by stakeholders in the horse-racing industry. After spirited advocacy from the horseracing fraternity, which championed a “duty-free” horse import bill, the Minister acquiesced in relation to the GCT payable on importation. The horseracing cause is supported by reports from the Jamaica Racing Commission, which confirmed the dwindling of breeding stock in Jamaica.

At the time of writing, the import duty payable on the importation of pure-bred breeding horses is 0%. Import duty for racehorses and other horses not for breeding is 5%. The last revision of the import duty regime for the importation of live horses was done in April 2015, when the import duty rate was reduced from 40% to 5%.

Small ruminants & pigs

GCT applicable on the importation of small ruminants and pigs into Jamaica is slated to be removed during the first quarter of 2023 (April – June). The Ministry Paper indicates that the removal of GCT is aimed at improving local food security and providing a source of income and employment, especially for persons in rural areas. The measure stems from the Ministry of Agriculture and Fisheries 2022/2023 campaign dubbed, “Grow Smart, Eat Smart”.

The Ministry Paper did not specify examples of “small ruminants”; however, we understand that small ruminants include sheep and goats, etc. This will address concerns about the local shortage in the supply of meats over the last three years.

The removal of GCT on the importation of small ruminants and pigs is for a fixed period of five (5) years and will be subject to review before expiration. This will allow the Ministry of Agriculture and Fisheries sufficient time to replenish the local breeding stock.

Proposed Revenue Measures (cont'd)

Other Measures Announced for 2023/24

Minimum Wage Increase

Effective June 1, 2023, the minimum wage rate payable will increase from J\$9,000 to J\$13,000 per 40- hour work week. The increased rate will be a J\$100 per hour or 44% increase over the current rate. Similarly, the minimum wage rate for security guards will increase from J\$10,500 to J\$14,000 per 40-hour work week. The increase for security guards will yield J\$87.50 per hour or 33.33% more than the current rate.

The minimum wage increase has been touted as the largest increase in Jamaica's recent history. This is the second increase in the minimum wage announced over the past year, with the last increase of approximately 28.5% being made on April 1, 2022.

This announcement was made by the Prime Minister during his budget presentation, given under the theme, "From Vision to Reality: Nurturing S.E.E.D.S for Peace, Opportunity and Prosperity". The gradual increase of the minimum wage can be seen as a move to improve the purchasing power of the average Jamaican, in an effort to stimulate the economy.

Removal of tax-free traveling allowance for public sector employees

Effective April 1, 2023, the GOJ, the largest employer in the country, is undertaking an extensive revision of the public sector compensation package for all levels of employees. The public sector compensation package will be revamped by minimizing the number of salary scales across the various government ministries. The compensation review is geared towards removing unfair advantages, particularly in relation to the tax-free traveling allowance given as part of an employee's compensation package. The GOJ is of the view that a traveling allowance should only be given to employees who, due to the nature of their job, actually make necessary commutes to various places as part of their job function, as opposed to those who merely travel between home and work.

Under the proposed reform, the traveling allowance will become an activity-based reimbursement, paid through a revised reimbursable mileage component. Over three years, the existing tax-free traveling allowances will be absorbed into salaries and taxed. All persons currently in receipt of this allowance will instead receive an amount which is effectively an increase in their salaries, net of taxes, by a minimum of 20% over the three years. The tax effect of the adjustment will be an increase in the PAYE amounts collected by the GOJ, since previously the traveling allowances were received tax-free.

There has been no mandate announced by the GOJ to abolish the tax-free traveling allowances approved by Tax Administration Jamaica for travelling officers in the private sector. However, a move to equalize the treatment of this tax-free benefit for both public sector and private sector employees is a possible result of this new public sector policy directive. Removing this tax-free benefit for all employees, would affect a large portion of private sector employees, who, like their public sector counterparts, currently enjoy tax-free traveling allowances as a key tax benefit of their compensation package.

Timeline for Ongoing Tax Matters

Income Tax Relief (Large Scale Projects and Pioneer Industries) Act

The amendments to this legislation, which provides various tax incentives to potential large-scale investors, is to be amended for the purpose of attracting US\$1 billion or more in investments to Jamaica.

To be tabled during April 2023

The Customs Bill

At the previous Budget Debate, the Minister announced plans to repeal the Customs Act of 1941, and replace same with a modern Customs Act that is consistent with international best practice. The Minister reported that the proposed Customs Bill is completed but is being further considered based on submissions made by stakeholders and pending Regulations and Rules to be completed.

To be presented in Parliament this year

Minimum wage increase

- The national minimum wage will increase from J\$9,000 per 40-hour work week to J\$13,000 per 40-hour work week.
- The increase in the minimum wage for industrial security guards from J\$10,500 per week to J\$14,000.

Effective June 1, 2023

General Consumption Tax (“GCT”) Act and the Stamp Duty Act

The Minister announced that there will be additional amendments, or deletions where appropriate, to the GCT Act and the Stamp Duty Act to correspond with the equivalent provisions contained in the updated Customs Bill.

To be presented in Parliament this year

About KPMG

KPMG in Caricom

KPMG in Caricom forms part of the international network of member firms that operate in 145 countries and territories, with more than 236,000 partners and employees. These professionals collaborate across industry, service and national boundaries to deliver professional services for the benefit of their clients, KPMG people and the capital markets.

Member firms are located in Jamaica, Trinidad and Tobago, Barbados, and St. Lucia (also practicing in Antigua and Barbuda, Anguilla, Dominica, Grenada, Montserrat, St. Kitts and Nevis, and St. Vincent and the Grenadines).

Our practice has strong professional contacts with the KPMG member firms in the Bahamas, Bermuda, Cayman Islands, all of which have similar cultures and operating environments.

KPMG Caricom operates across the region with a specific understanding of the cultural, economic and political facets of each individual economy. In-depth industry knowledge is available through the global KPMG network which provides access to skilled member firm professionals, across a wide range of industry sectors.

KPMG Caricom at a glance



12 Countries

With **5** physical offices

Our people



39

Partners & Directors

70% | 30%

Gender Split F|M



100+

Years of service excellence

1,000+
Professionals

Environmental, Social and Governance

Embed ESG into your operations and governance

What is ESG?

ESG is the broad group of issues - environmental, social and governance - that have been grouped and used in the capital markets and by investors to evaluate and measure a company's total impact on the planet and on society.

Why should you care about ESG?

By aiming to improve ESG performance, companies can enhance long term value creation and support the achievement of the UN's Sustainable Development Goals. We believe that sustainable growth is the only way to build a successful business and have a positive impact on our environment and society:

- Consumers are choosing brands for their ethical behaviour and their record on climate change
- Investors are favouring businesses with robust ESG frameworks
- Regulators are requiring organisations to increase transparency in areas such as diversity, equal pay, carbon emissions and modern slavery

This makes your ESG efforts crucial to long-term value creation, growth and remaining relevant in a fast changing world.

Our Journey

We've launched a \$1.5 bn investment programme globally, to drive expertise and solutions that support our clients with managing the risks and opportunities of ESG. This investment includes industry-leading training through joint ventures with the University of Cambridge and technology alliances with ServiceNow and Microsoft, to give our clients access to the unique insights they bring.

We're also leading by example. KPMG is driving ESG within our organization — striving to minimize the harm to the planet and making a positive contribution to society.

[Our Impact Plan](#) sets out the collective ESG commitments KPMG is making, and the actions that are being taken across the firm to fulfill them, thereby helping to make a more positive impact on the world. It's about our impact, the progress we're making and where we're holding ourselves accountable.

How we can help?

Our ESG team is leveraged across the KPMG Regional and Global network and comprises of specialists in **transformation, finance, climate risks** and **reporting**. We'll help you with:



Risks and opportunities



ESG strategy



Transform your business



Measure and report

We've designed our services to put ESG at the core of your operations - where it should be.

Our ESG service lines



ESG Advisory – Vision and Strategy



Sustainable finance and ESG Due Diligence



Climate risk and decarbonization - strategy and stress testing



Sustainable Tourism



ESG reporting and assurance



ESG in tax and legal services

For more information on how KPMG in Caricom can assist you and your business, please contact our team



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