



*April 2009*

Dear Client:

The 2009/2010 Revenue Budget was presented on April 23, 2009 where a slate of new measures was announced. There are areas of uncertainty concerning the application of some measures and clarification will, in due course, assist the implementation.

Note also that these measures need to be given effect to by appropriate legislation.

The tax package was one of give and take and includes, *inter alia*:

- Increase in the income tax threshold.
- Removal of personal income tax preferences.
- Reduction in the rates of transfer tax and stamp duty.
- Reform of General Consumption Tax (GCT).
- Increase in Special Consumption Tax on petrol.

These and other measures are as detailed hereunder

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### Budget Measures

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  - Increase in age and pension exemption.
  - Removal of personal income tax preferences.
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  - Increase in SCT on petrol
- OTHERS

## BUDGET MEASURES

### INCOME TAX

#### 1. Increase in threshold

- (a) Effective July 1, 2009 the threshold will be increased to \$320,736 from \$220,272.
- (b) Effective January 1, 2010 the threshold will be increased to \$441,168.

This will mean that there will be two threshold adjustments during this fiscal year.

c) Increase in the exemption for pensioners and persons over 65 years old

The exemptions have been increased as outlined below:

- Persons under 55 years old, who receive a pension from a statutory Pension Scheme e.g. NIS, or an Approved Superannuation Scheme is entitled to an exemption [tax-free amount] of \$80,000 (up from \$45,000) of that pension income as of July 1, 2009. This exemption is applicable against that pension income only and is not applicable to income from any other source.
- Persons 55 years and over, receiving a pension from a Statutory Pension Scheme or an Approved Superannuation Schemes are entitled to an exemption [tax-free amount] of \$80,000 (up from \$45,000) of that pension income and income from any other source as of July 1, 2009
- If you are you are 65 years of age and over, whether or nor you are a pensioner, you are entitled to an age exemption of \$80,000 (up from \$45,000) on income from any source as of July 1, 2009

In addition, the above categories are entitled to the new threshold rate.

Non- resident pensioners are entitled to the exemptions but not the threshold rate.

**(2) Removal of Personal Income Tax references.**

(i) Accommodation Benefit

Currently, employees whose rent is paid by their employers are taxed at 25% on the rent/accommodation benefit which is calculated as 15% of their remuneration (salary) excluding the rent. This benefit is normally less than the actual rent paid. The proposal is that the actual rent paid will be taxed at 25%. The effective date is July 11, 2009.

(ii) Hotel Gratuity

Currently, hotel employees who earn less than \$500,000 per annum are allowed to receive up to \$250,000 as gratuity without the deduction of income tax. As of January 1, 2010 the gratuity will be taxed at 25%.

(iii) All other tax free benefits

Currently, certain categories of workers are entitled to uniform and laundry allowances of \$5,739 and \$3,395 without deduction of income tax. Other categories of employees who are provided with uniforms by their employers are taxed on 1/3 of the cost of providing the uniform. It seems that the allowance and the full cost of these benefits will now be taxed at 25%. The effective date is July 1, 2009.

It is not clear if motor vehicle upkeep allowance will be affected.

## GENERAL CONSUMPTION TAX (GCT)

The General Consumption Tax Act is said to be the main area of reform in the tax package.

### (a) Reduction in number of exempt items

There has been a reduction in the number of items listed as exempt from GCT.

Following is the list presented of some of the items that will now attract GCT.

- Automatic data processing machines, parts and accessories under tariff headings nos. 8471 and 8473 respectively.
- Printed matter (not including newspapers) articles and materials classified under tariff heading nos. 4901 to 4905.
- Fish, cock and noodle soup, in aluminium sachets.
- Syrup.
- Motor spirit, lubricating oil for commercial fishing.
- Live birds, fish, etc. for food
- Rolled oat.
- Salt

This list is incomplete as the list that was presented as an "Extended list

of items to remain exempt from GCT does not include any of the services that were previously exempt or some other goods that were previously exempt but not included in the list above. This is effective as of April 27, 2009.

### (b) GCT on Telephone Instruments

The rate of GCT payable on telephone instruments has been increased to 20% up from 16.5%.

The effective date of this measure is April 27, 2009.

## SPECIAL CONSUMPTION TAX (SCT)

The Special Consumption Tax (SCT) on petrol has been increased by \$8.75 per litre as of April 27, 2009.

## STAMP DUTY AND TRANSFER TAX:

The rate of stamp duty will be reduced to 3% down from 4.5% while that of transfer tax will be reduced to 4% down from 5%. This will become effective January 1, 2010.

## CUSTOMS USER FEES (CUF)

Customs User Fees (CUF) on imported finished petroleum products excluding that imported under the Petro Caribe Agreement will be increased to 5%. This is effective April 27, 2009.

## WITHHOLDING TAX

Currently dividends paid by companies listed on the Jamaica Stock Exchange (JSE) are taxed at zero percentage (0%) while dividends paid by companies that are not listed are taxed at 25% if paid to individual and 33-1/3% if paid to corporations.

*In December 2008, the Honourable Prime Minister stated that as of January 1, 2009, dividends paid to local shareholders of all companies (i.e listed or unlisted) would be exempt from income taxes. However, to date this measure has not been passed into law.*

Non-resident shareholders of listed companies in Jamaica will be subject to withholding tax on dividends at 33-1/3%. Clarification is needed as to whether this rate is applicable to individuals as well as corporations.

This measure becomes effective July 1, 2009.

*Material discussed in this Bulletin is meant to provide general information and should not be acted upon without obtaining professional advice appropriately tailored to your individual facts and circumstance*

