



MINISTRY PAPER NO. 14/2020

REVENUE MEASURES FOR FINANCIAL YEAR 2020/2021

**Ministry of Finance and the Public Service
10th March, 2020**

REVENUE MEASURES – FY 2020/2021

The Honourable House is invited to take note of the following revenue measures for Fiscal Year 2020/2021. These measures support the 2019-2020 tax reform that saw reduction in tax rates and the elimination of some tax types considered distortionary. The proposed measures support the thrust to continue reforming the tax system towards equity, efficiency and simplicity.

1) Reduce the Standard General Consumption Tax (GCT) rate from 16.5 per cent to 15.0 per cent

- a) The Honourable House may recall that as part of Revenue Measures 2019/2020, the GCT threshold was increased to \$10 million, up from \$3 million. This measure simplified and reduced the cost of administration for the taxpayers and Tax Administration Jamaica.
- b) The last adjustment to the standard rate of the GCT was in June 2012 when it was reduced from 17.5 per cent to 16.5 per cent. The proposed reduction in the standard rate from 16.5 per cent to 15.0 per cent will reduce the incentive for taxpayers to be non-compliant, incentivise all sectors through lower upfront cost and increased cash flow, which will serve to encourage growth in the economy.
- c) It is expected that the revenue from this tax type will continue to perform despite the rate reduction. The measure will also assist persons in managing their exposure to the tax type based on their own consumption efforts.

The potential revenue loss from this measure is estimated at \$13.968 billion. The effective date for implementation is 1st April 2020.

2) Reduce the Assets Tax rate from 0.250 per cent to 0.125 per cent

The House may recall that the Assets Tax was abolished for non-financial institutions effective 2019 as an initial step in reforming this tax type. This resulted in the lowering of costs of the micro and small business sectors, whilst better aligning taxation with profitability. The proposed rate reduction to 0.125 per cent is another step in the reform of the Assets Tax regime.

The potential revenue loss from this measure is estimated at \$3.020 billion. The effective year of assessment is 2021.

3) New Income tax credit for companies (regulated and unregulated) with annual sales/revenue less than or equal to \$500 million

- a) In 2016, the phased increase in the general Personal Income Tax threshold to roughly \$1.5 million commenced and was finalized in 2018. Self-employed persons were able to benefit from this threshold unlike registered companies.
- b) It is proposed to provide an income tax credit of \$375,000 for both regulated and unregulated companies with revenue/sales equal to or less than \$500 million. This credit is in addition to the Employment Tax Credit available to unregulated companies. This credit must be utilized within the year given and can neither be carried forward nor result in a refund.

This measure is expected to result in potential revenue loss of approximately \$1.010 billion. The measure is effective for the year of assessment 2020.

SUMMARY OF REVENUE MEASURES

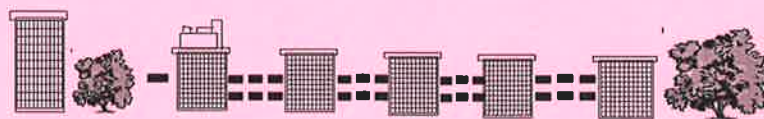
Revenue Measures and Associated Potential Revenue Effects.	J\$ Billion
	Annualized
1. Reduction in the Standard General Consumption Tax (GCT) rate from 16.5 per cent to 15.0 per cent	(13.968)
2. Reduce the Assets Tax rate from 0.250 per cent to 0.125 per cent	(3.020)
3. New Income tax credit for companies (regulated and unregulated) with annual sales/revenues less than or equal to \$500 million	(1.010)
Total	(17.998)



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Minister of Finance and the Public Service

10th March 2020



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