

Taxpayers who opt for grandfathering will not, however, be allowed to access any new incentives, ie they will not be able to benefit under the old and the new regimes at the same time.

Taxpayers may choose to forego grandfathering and seek access to the new incentive regime by notifying the Commissioner General.

The following special arrangements will apply

a. JUNIOR STOCK EXCHANGE

Companies listed on the Junior Market before January 1, 2014 will be allowed to complete their incentive period.

Companies listed on or after Jan. 1, 2014 are eligible for a five (5) year 100% tax credit for income tax payable during the first five years of listing. The company must however remain listed on the Exchange for a total of at least ten years. If this does not happen, the tax not paid during the first five years must be paid back

b. TOURISM

Entities operating under the Hotels (Incentives) Act and the Resort Cottages (Incentives) Act which elect to operate under the new incentive regime will continue to enjoy a special General Consumption Tax rate of 10%.

Those who choose to be "grandfathered" will lose this benefit and become subject to the standard rate of 16.5%.

B. THE INCOME TAX RELIEF (LARGE SCALE PROJECTS AND PIONEER INDUSTRIES) ACT, 2013

This Act seeks to attract innovative and high value investments by allowing the Minister of Finance to designate a project as

- a. An approved large scale project – capable of generating high levels of capital investment and employment ; or
- b. An approved pioneer industry – not already being carried out in Jamaica on a substantial commercial basis and involving the innovative use of technology, cultural assets or other available resources.

Income Tax incentives are available for such projects.

Projects which qualify for this treatment must be consistent with the strategic priorities of the Jamaican government and the Minister's decision must be confirmed by Parliament after review of a cost benefit analysis.

**For further details call:
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INCENTIVE LEGISLATION



REFORM OF TAX INCENTIVE REGIME

PURPOSE

This brochure provides information on the measures introduced by the new incentive legislation which, took effect from January 1, 2014 .



OBJECTIVE

The Government of Jamaica has committed itself to a reform of the tax system which includes an overhauling of the traditional regime of incentives under which tax related benefits such as exemptions, zero rating and special rates were confined to certain sectors of the economy or depended on the outcome of a waiver application. This has been replaced by a system of rule - based incentives, focussed on capital, labour and inputs imported for production, which are available to all who qualify.

Certain Acts which granted incentives to particular sectors have been repealed. A limited number which are of strategic importance to national development have been retained.

The reform is intended to be a catalyst for growth in all sectors of the economy, through increased investment.

INCENTIVE LEGISLATION

FEATURES

The new incentive regime makes provision for :

- a. capital allowances which are in keeping with the useful life of assets;
- b. an employment tax credit which will result in a lower effective rate of tax and provide an incentive for employment;
- c. reduction or removal of customs duty and additional stamp duty on operating inputs for productive activities.
- d. targeted income tax incentives intended to attract projects of a type and size capable of having a significant impact on the national economy.

The incentives available by way of domestic taxes are set out in two (2) Acts

A. THE FISCAL INCENTIVES ACT, 2013

ACTS REPEALED

The following Incentive Acts have been repealed with effect from January 1, 2014:

1. The Export Industry Encouragement Act
2. The Hotels (Incentives) Act
3. The Resort Cottages (Incentives) Act
4. The Petroleum Refining Industry (Encouragement) Act
5. The Shipping (Incentives) Act
6. The Cement Industry Encouragement) Act
7. The Motion Picture Industry (Encouragement) Act
8. The Industrial Incentives Act;
9. The Industrial Incentives (Factory Construction) Act;
10. The Foreign Sales Corporation Act;
11. The International Finance Companies (Income Tax) Relief Act;

The following Provisions of the Income Tax and General Consumption Tax Acts have been repealed.

INCOME TAX ACT

- a. Approved Farmer provisions - Sections 5(6) and 36D
- b. Investment Allowance provisions - 1st Schedule Part II

GENERAL CONSUMPTION TAX ACT

- c. Those Incentive Acts which have been repealed have been removed from Group 15 of the GCT Act which gave zero rated status to supplies made to or imported by entities operating under tax incentives.

The following Laws will remain in force:

1. The Urban Renewal Act
2. The Jamaica Export Free Zones Act
3. The Bauxite & Alumina Industries (Encouragement) Act
4. The Petroleum Act
5. The Income Tax (Jamaica Stock Exchange Junior Market) Remission Notice, 2009 (and amendments).
6. The Income Tax section 36 E (Group Headquarters)

LEGACY INCENTIVES

Entities which have been benefitting under an incentive Act which has been repealed may, if they so desire, opt to continue to enjoy those benefits until their incentive period expires. This mechanism of "grandfathering" is designed to minimize disruption within the economy. The incentives which are to be 'grandfathered' are called legacy incentives.