

TECHNICAL ADVISORY

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Technical Paper: "2014 INCOME TAX RATES"

PURPOSE

This paper is intended to provide guidance on the application of the change to the Income Tax rate that was implemented via the Fiscal Incentive (Miscellaneous Provisions) Act, which took effect 1st January 2014.

LEGISLATION

All references are to the Income Tax Act.

INTRODUCTION

As part of the comprehensive reform of Jamaica's tax system aimed at minimizing production cost and achieving competitive business tax rates, the rate for large unregulated companies was reduced from 30% to 25% (other unregulated companies will remain at 25%). However, the Income Tax rate for regulated companies will remain at 33 ⅓%.

DEFINITIONS:

Regulated Companies are companies that are regulated by the Financial Services Commission, the Office of Utilities Regulation, the Bank of Jamaica or the Ministry responsible for Finance.

Large Unregulated Companies are unregulated companies which have gross annual income of not less than \$500 million in any year of assessment or as the case may be, in the period of twelve months referred to in section 6 (2) of the Income Tax Act.

Unregulated Companies are companies that are not a regulated company.

General Income Tax Rates (Section 30 of the Income Tax Act)

With effect from January 1, 2014 (Headline Rates)

Regulated Companies	33 ⅓%
Unregulated Companies including large unregulated	25%
Individuals	25%

The fiscal incentive act section 10 states that the rate of tax should be prorated for taxpayers reporting on permitted accounting bases; however the determined rate for all unregulated companies for year of assessment 2014 is 25%.

NB: The regimes applicable to life assurance companies (Section 48(4) of the Income Tax Act) and buildings societies (Section 30(2)) will remain in force.

Building Societies	30%
Life Assurance Companies	15%

Permitted Accounting Period

Where the taxpayer's (an unregulated company) permitted accounting year ends within the year of assessment (January to December), the Income Tax rate for year of assessment 2014 will be 25%.

Scenario 1

JTA Ltd. is a large unregulated company whose permitted accounting period ended in June 2014. What is rate of tax for 2014?

Answer

The Income Tax rate for 2014 will be 25%. (Use effective rate base on FIA and state that the commissioner's decision will apply)

Withholding Tax Rates

The withholding tax rate provisions have been amended to include the reduction in the rates for all unregulated companies from 33 ⅓% to 25%.

Withholding Tax Rates from:

- Interest payments on certain deposits or investments with Insurance Companies (Section 48A of the ITA);
- Unit trust/Collective Investment schemes income payments (Section 39 of the ITA);
- Company distribution (Section 38 of the ITA);

have been revised as follows:

Prior to January 1 2014

Regulated Companies	33 ⅓%
Large Unregulated Companies	28.75 %
Unregulated Companies	25%
Individuals	25%

Effective January 1, 2014

Regulated Companies	33 ⅓%
Unregulated companies	25%
Individuals	25%