
Issued By: Tax Administration Jamaica (TAJ)

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Technical Paper: **“Variation of the Minimum Business Tax Rate”**

Purpose

The purpose of this Technical Advisory is to provide information on the variation to the Minimum Business Tax (MBT) Rate. It advances guidance on the application of the 2019-20 MBT revenue measure announced and tabled in the House on March 7, 2019 by the MOFP, The Honourable Dr. Nigel Clarke.

Legislation

- The Minimum Business Tax Act

Amendment of the Act

- The Minimum Business Tax Act was amended to impose a Nil rate with effect from April 1, 2019

Background

The Minimum Business Tax was imposed under the MBT Act on specified taxpayers who are registered to operate a business from the year 2014 onwards. The aim of the MBT was to broaden the tax base to include persons who carry out business activities but who were not formally in the tax system or may not be honouring tax obligations for other tax types.

As part of the government’s current initiative to reduce costs for medium, small and micro enterprises and to encourage small business formation among other objectives, the Honourable Minister announced that with effect from April 1, 2019 the Minimum Business Tax is no longer payable.

Implications of the Revenue Measure

- With effect from year of assessment 2019 specified taxpayers who operate a business and dormant companies will no longer be required to pay the MBT. This includes taxpayers whose permitted accounting period terminate in any month within the calendar year 2019.

- Notwithstanding the re-imposition of the MBT at a nil rate with effect from April 1, 2019, it should be noted that persons who are in arrears for outstanding MBT for prior years are still liable for the tax and the relevant charges that may arise.

Who will benefit from a refund?

Persons who have paid the MBT for the Y/A 2019 are entitled to a refund.

How will the refund be made?

- The MBT paid for Y/A 2019 may be utilized as a credit towards income tax for the specified taxpayer for that year of assessment to discharge a corresponding liability.
- Taxpayers may request a cash refund or
- Taxpayer may write to TAJ to request that the amounts be used to offset other tax liabilities.