Table 1:Capital Allowance Rates

CATEGORY	INITIAL ALLOWANCE RATE	PERIOD	ANNUAL ALLOWANCE RATE
1. BUILDINGS			
Industrial buildings	20%	See below	
Non-industrial buildings	0%	See below	
Annual allowance – All Commercial Buildings:			
(a) Buildings & structures primarily constructed of concrete, steel, brick, stone cement or similar materials		25 years	4%
(b) Buildings & structures primarily constructed of other inorganic materials such as galvanized iron, corrugated metal or similar materials		10 years	10%
(c) Buildings & structures primarily constructed of wood or other organic materials		8 years	12.5%
2. PLANT & MACHINERY			
(a) Machinery directly used in the production of primary products or in the manufacture or automated packaging of goods	25%	8 years	12.5%
(b) Automatic data processing equipment, calculators, cash registers and other equipment falling within (Tariff Headings 84.70 and 84.71) as well as parts/accessories thereof	25%	5 years	20%
(c) Equipment falling within Tariff Headings 84.69, 84.72 as well as parts/accessories thereof . *(d) Telephones and other equipment falling within Tariff Heading 85.17 as well as parts and accessories thereof*	0%	5 years	20%
(e) Other plant & machinery	0%	8 years	12.5%
3. MOTOR VEHICLES			
(a) Private motor vehicle based on a cap of US$35,000		8 years	12.5%
(b) Trade vehicle		5 years	20%
(c) Rent-a-car /Tour bus /PPV taxi		5 years	20%
Intangibles			
(a) Scientific research and development		5 years	20%
(b) Intellectual Property Rights *a. Cost less than US$10,000* *b. Cost greater than US$10,000*		5 years 14 years	20% Approx. 7.14%

INTANGIBLES

The new regime extends the definition for scientific research and makes provision for annual allowances for intellectual property rights.

EXPENDITURE ON RESEARCH AND DEVELOPMENT covers:

- Pure or applied scientific research when done otherwise than in connection with a trade;
- Development – being activities aimed at discovering new knowledge about products, processes and services and applying that knowledge to create new and improved products, processes and services.

INTELLECTUAL PROPERTY

This covers expenditure on intellectual property rights being the rights of ownership, use or other exploitation of any of the following –

(a) A patent or utility model

(b) An industrial design

(c) A layout-design of an integrated circuit

(d) A trademark, service mark, collective mark, certification mark or a brand

(e) A geographical indication of source

(f) A trade secret, know-how or technology transfer

(g) An internet domain name or a publishing title

(h) A copyright

(i) A licence to conduct activities that are regulated by the Office of Utilities Regulation (OUR), the Spectrum Management Authority or the Broadcasting Commission.

(j) A right to use a submarine communications cable, a fibre optic network, electronic data storage or related facilities.

For this purpose, "know-how" means any industrial information or technique that is likely to assist in the manufacture or processing of goods or the provision of services

EXCEPTIONS

There are special rules governing tourism accommodations and motor vehicles as it relates to the application of the new capital allowance regime.

FOR MORE INFORMATION: Call:**1- 888 - TAX - HELP (829- 4357)** or **1- 888 - GO-JA-TAX (465-2829)** Website: **www.jamaicatax.gov.jm** Facebook:**www.facebook.com/jamaicatax** I Twitter: **@jamaicatax** or visit the Tax Office nearest you.

December 2014

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Capital Allowance Regime

Purpose

The purpose of the brochure is to provide guidance on the implementation of the New Capital Allowance Regime.

Effective Date:

The new regime became effective January 1, 2014

Legislation

The Fiscal Incentives (Miscellaneous Provisions) Act gave rise to amendments to The First Schedule of the Income Tax Act.

Proposed Capital Allowances Regime

As a part of the income tax reform, the capital allowances regime has been standardised and streamlined. This will include:

- The discontinuance of the various incentives embedded therein e.g. investment allowances and accelerated tax depreciation to agriculture and manufacturing sectors
- Providing allowances to certain categories of capital expenditure not currently covered;
- Providing greater alignment between the useful economic life of various categories of assets and their write-off periods for tax purposes;
- Allowing capital expenditure to be written-off using the straight-line method;
- Standardising the application of the regime across sectors and facilitating enhanced administration of same.

General Rule

Capital expenditure (on specified assets) incurred on or after January 1, 2014 will be written-off in accordance with the new capital allowance regime as outlined in the Table 1.

All capital expenditure incurred on or after January 1, 2014 will be written-off using the straight line method.

Capital expenditure incurred prior to January 1, 2014 will continue to be written-off for income tax purposes in accordance with the rules existing prior to January 1, 2014, as if there were no changes.

Initial Allowance

Initial allowance will be allowed for capital expenditure relating to industrial buildings and plant and machinery.

Industrial Buildings

The definition of industrial building has been extended to include:

- A building or structure used directly in the production of primary products;
- A hotel or resort cottage within the meaning of Section 2 of the *Tourist Board Act*;
- A hospital or other healthcare facility primarily for the care of in-patients;
- A multi-storey car park constructed exclusively for parking motor vehicles;
- A building located in a free zone defined in Section 2 of the Jamaica Export Free Zones Act (or in due course, a Special Economic Zone); or
- Subject to the approval of the Commissioner General, a building or structure constructed pursuant to an arrangement between a public authority and another person for the provision of public goods or services.

Plant & Machinery

The new regime will provide for an increase in the initial allowance for machinery used directly in the production of primary products or in the manufacture of goods, and for automatic data processing equipment and related items.

Annual Allowance

The new regime provides for annual allowance to be calculated on capital expenditure at rates outlined in Table 1.

Annual allowances in respect of capital expenditure incurred prior to January 1, 2014 shall continue to apply to the remaining balance of that expenditure at the previous rates.