

INTRODUCTION

The Government of Jamaica continues its efforts to develop a fair and just tax system in which each person pays his fair share. With this objective in mind, Tax Administration Jamaica (TAJ) and the Ministry of Finance have introduced a Withholding Tax on Specified Services which took effect on May 1, 2015.

WHAT IS WITHHOLDING TAX?

The law sometimes requires a person to deduct tax from a payment before he hands the money over to the person who is entitled to receive it. The money held back is referred to as withholding tax and it is to be paid over to the tax authorities within fourteen (14) days after the end of the month in which it was withheld (similar to payroll deductions under PAYE).

WHO IS ALLOWED TO WITHHOLD TAX ON SPECIFIED SERVICES ?

The law sets out a list of bodies or individuals who are given the authority to withhold the tax. That list, includes various types of government bodies and entities regulated by the Bank of Jamaica and the Financial Services Commission, utility companies, tourism operators and cable operators with yearly gross revenue, from all sources, of more than Five Hundred Million Dollars (\$500,000,000). Any person who falls into one of these categories, and is therefore eligible to withhold

tax, but does not do so, can face a penalty of as much as fifty percent of the tax that should have been withheld. TAJ will register eligible persons as **Tax Withholding Agents**.

WHAT IS A SPECIFIED SERVICE?

Withholding tax does not apply to every type of service at this time. A specified service is one of the services listed in the law. That list is attached to this document. When one of these specified services is provided to a client and the service has a value above a certain threshold, that client is required to withhold a part of the money that should be paid for the provision of the service. The person who provides a specified service is referred to in the law as a "**Service Provider**".

WHAT IS THE THRESHOLD FOR WITHHOLDING?

Withholding should only be done if the value of the service, **before** GCT is added, is Fifty Thousand Dollars (\$50,000) or more. If the client makes

a series of payments over a period of **thirty days or less** for the provision of the service and those payments, before GCT, amount to One Hundred Thousand Dollars (\$100,000) or more, tax should be withheld.

HOW MUCH TAX SHOULD BE WITHHELD?

The client, who is referred to in the law as the "**Tax Withholding Agent**", must withhold **three percent (3%)** of the gross amount to be paid i.e. the amount payable to the service provider as the cost of the transaction before GCT is added.



HOW SHOULD WITHHOLDING TAX BE DEALT WITH?

The Tax Withholding Agent should pay over the amount that is withheld to the Commissioner General of TAJ no later than **fourteen days** after the end of the month in which it was withheld. This can be done at any tax office.



WHAT PROTECTION DOES THE LAW PROVIDE FOR THE SERVICE PROVIDER?

When the Tax Withholding Agent withholds the tax from the payment he must provide the Service Provider with a **Withholding Tax Certificate**. The Service provider can use this certificate, when he is making his return, as proof that a certain amount of his income tax has already been paid.

WHAT RIGHTS DOES THE SERVICE PROVIDER HAVE?

The Service Provider has the right to claim the amount withheld from TAJ, as a credit towards his income tax, when he makes his next estimated quarterly income tax payment or his next annual income tax return.