



MINISTRY PAPER 13/19

REVENUE MEASURES FOR FINANCIAL YEAR 2019/2020

Ministry of Finance and the Public Service

7th March 2019

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REVENUE MEASURES – FY 2019/2020

The Honourable House is invited to take note of the following revenue measures for Fiscal Year 2019/2020. The Honourable House may recall that for the Financial Year 2018/2019, there were no new revenue measures implemented. This supported the thrust to continue the reform of the tax system toward equity, efficiency and simplicity. The following measures represent further reform of the system, focussed on removing the most distortionary taxes in order to stimulate (i) greater competition, activity in, and access to credit markets, (ii) greater business and economic activity and (iii) economic growth. The measures will also incentivize formalisation and will reduce costs of micro and small business thereby encouraging increased risk-taking business activities by micro and small entrepreneurs.

1. Increase in the Annual General Consumption Tax (GCT) Threshold

- a) The House may recall that the annual GCT threshold was last increased in 2009 to \$3 million, up from \$1 million. It is proposed to increase the threshold to \$10 million, up from the current \$3 million.
- b) The proposed measure is expected to result in savings to the Government from reduced administrative cost as well as savings to micro and some small businesses from removing the requirement to register and file GCT Returns.

The potential revenue loss is JS0.731 billion. The effective date for implementation is April 1, 2019.

2. Reform of the Stamp Duty

- a) It is proposed to supplant all *ad valorem* Stamp Duty rates payable on any instrument pursuant to the Stamp Duty Act, including the granting of security as collateral for loans, with a specific (flat rate) stamp duty of \$5,000 per document.
- b) The Stamp Duty Act has a multiplicity of *Ad Valorem* (calculated as a percentage of the value) Stamp Duty and flat rates that are determined based on the type of document. The proposed rate change is expected to provide tax certainty and allow for further simplification of the tax structure.
- c) This measure is expected to stimulate (i) greater competition and activity in, and access to credit markets, (ii) greater business and economic activity, (iii) property development and real estate activities, and (iv) economic growth and job creation.

The potential revenue loss is J\$6.650 billion. The effective date for implementation is April 1, 2019.

3. Reduction of the Transfer Tax payable on the transfer of real Property and financial instruments

- a) It is proposed to reduce the Transfer Tax to 2.0%, down from 5%.
- b) Similar to the proposed changes to the Stamp Duty, this measure is expected to stimulate (i) greater competition and activity in, and access to credit markets, (ii) greater business and economic activity, (iii) property development and real estate activities, and (iv) economic growth and job creation.

The potential revenue loss is J\$3.431 billion. The effective date for implementation is April 1, 2019.

4. Increase in the Transfer Tax (i.e. Estate Tax) threshold applicable to the estate of deceased persons

- a) It is proposed to increase the transfer tax threshold in the case where the estate of a deceased person is to be transferred. This threshold is to be increased to \$10 million, up from the current \$100,000.
- b) The current Transfer Tax applicable is 1.5% of the value of the estate, including real property and shares, in excess of the threshold less deductions and expenses incurred.
- c) Beneficiaries will be able to utilize the equity in inherited property to leverage economic opportunities.

The potential revenue loss is \$0.287 billion. The effective date for implementation is April 1, 2019.

5. Abolition of the Minimum Business Tax

- a) It is proposed to abolish the Minimum Business Tax (MBT) payable by all registered companies. The Tax is an annual liability of \$60,000 payable in two equal instalments of \$30,000 due on the 15th June and 15th September annually.
- b) This policy change will (i) incentivize to formalisation, (ii) reduce the costs of micro and small business, (iii) better align taxation with profitability thereby encouraging greater risk-taking business activity, and (iv) encourage small business formation

The potential revenue loss is \$1.093 billion. The effective date for implementation is the year of assessment 2019.

6. Modify Asset Tax

- a) The House is being asked to recall that the structure of the asset tax was modified in 2012 to impose on the one hand a tax regime for non-financial institutions and on the other hand a tax regime for financial institutions. It is being proposed to abolish the asset tax payable by non-financial institutions.

- b) This policy change will also (i) incentivize formalisation, (ii) lower the costs of micro and small business, (iii) better align taxation with profitability thereby encouraging greater risk-taking business activity, and (iv) encourage small business formation

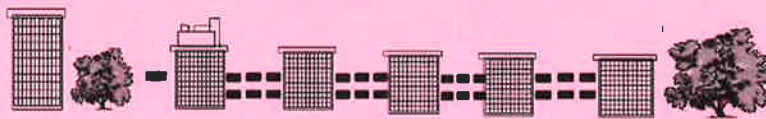
The potential revenue loss is \$1.840 billion. The effective date for implementation is the year of assessment 2019.

SUMMARY OF REVENUE MEASURES

Revenue Measures and Associated Potential Revenue Effects.	JS Billion
1. Increase in the General Consumption Tax threshold to \$10 million, up from \$3 million.	(0.731)
2. Replacement of all <i>ad valorem</i> Stamp Duty payable on any instrument pursuant to the Stamp Duty Act, including the granting of security as collateral for loans, with a specific (flat rate) stamp duty of \$5,000 per document.	(6.650)
3. Reduction in the rate of Transfer Tax payable on the transfer of property to 2.0%, down from 5.0%.	(3.431)
4. Increase in the Transfer Tax threshold applicable to the estate of deceased persons to \$10 million, up from \$100,000.	(0.287)
5. Abolition of the Minimum Business Tax.	(1.093)
6. Abolition of the Asset Tax payable by non-financial institutions	(1.840)
Total	(14.032)

Nigel Clarke

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 March 7, 2019



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Printed by Ministry of Finance and the Public Service