

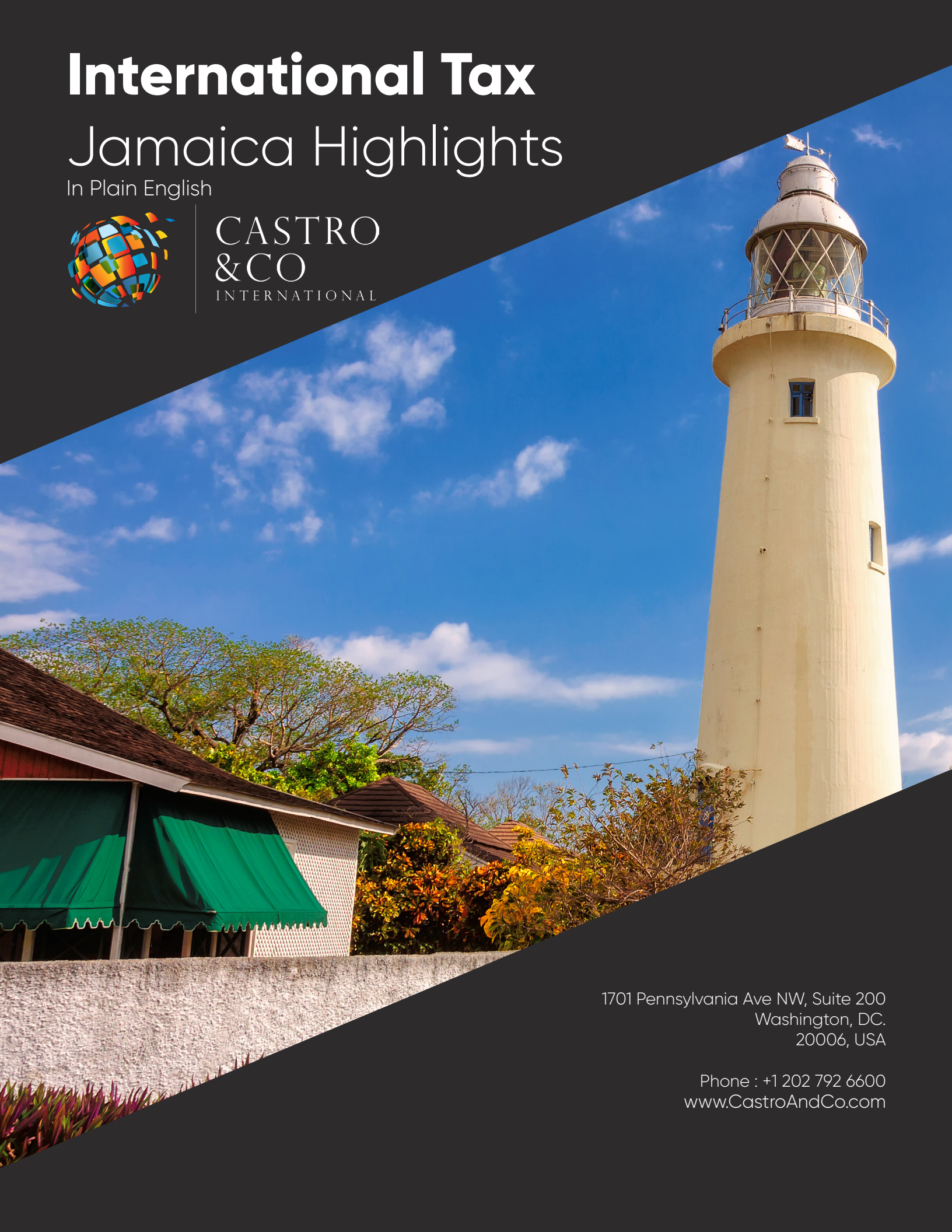
International Tax

Jamaica Highlights

In Plain English



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Investment basics:

Currency – Jamaican Dollar (JMD)

Foreign exchange control – No, and there are no restrictions on the import or export of capital. Both residents and nonresidents can hold bank accounts in the major currencies, e.g. U.S. dollar, Euro, pounds sterling and Canadian dollar.

Accounting principles/financial statements

– IAS/IFRS. Financial statements must be prepared annually.

Principal business entities – These are the public and private limited liability company, partnership, sole proprietorship and branch of a foreign corporation.

Corporate taxation:

Residence – A corporation established under the Companies Act of Jamaica is normally deemed to be resident in Jamaica. This also applies to branch operations of foreign corporations.

Basis – Residents are taxed on worldwide income. Nonresidents are taxed on their Jamaican-source income. Branches of foreign companies are taxed on the same basis as subsidiaries.

Taxable income – Corporation tax is imposed on a company's profits, which consist of business/trading income and interest, but excluding capital gains. Normal business expenses may be deducted in computing income.

Taxation of dividends – Dividends paid by a Jamaican company to a resident corporation generally are exempt from tax.

Capital gains – There is no capital gains tax in Jamaica, unless circumstances indicate that gain should be treated as business income.

Losses – Losses may be carried forward indefinitely. The carryback of losses is not permitted.

Rate – The corporation tax rate is 33 1/3%, which also applies to subsidiaries and branches. Building societies are taxed at 30% and life insurance companies pay tax at 15% of net investment income. Life insurance companies pay a 3% tax on premium income.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Unilateral relief is granted for foreign tax suffered. A foreign tax credit also may be available under a tax treaty.

Participation exemption – No

Holding company regime – No

Incentives – Special tax regimes apply for insurance, venture capital and international finance companies, and there are incentives for taxpayers operating in free zones or investing in the manufacturing, tourism, petroleum refining and agricultural industries.

Withholding tax:

Dividends – Dividends paid to a resident are not subject to withholding tax, but dividends paid to a nonresident company are subject to a 33 1/3% withholding tax, unless the rate is reduced under a tax treaty.

Interest – Interest is subject to a 25% withholding tax, unless the rate is reduced under a tax treaty.

Royalties – Royalty payments made to a nonresident are subject to a 33 1/3% withholding tax, unless the rate is reduced under a tax treaty.

Technical service fees – Fees paid by Jamaican company to a nonresident company for industrial or commercial information or advice or management

or technical services are subject to a 33% withholding tax (25% if paid to an individual), unless the rate is reduced under a tax treaty.

Branch remittance tax – No

Other – No

Other taxes on corporations:

Capital duty – No

Payroll tax – Compulsory statutory contributions based on salary include social security (see below under “Social security”), the National Housing Trust (3%), an education tax (3%) and the Human Employment and Resource Trust contribution (3%).

Real property tax – An annual property tax (payable by the “person in possession”) is levied at a flat rate of JMD 1,000 on the unimproved value of real estate up to JMD 300,000, and at 0.75% over JMD 300,000.

Social security – The employer and employee each contribute 2.5% (5% for the self-employed) based on the first JMD 1 million annually of the employee’s earnings.

Stamp duty – The stamp duty is 3% on the transfer of real property and 1% on the transfer of shares, based on the sales value.

Transfer tax – Transfer tax is imposed on the sales value of real property and securities (shares). The rate on securities is 4% and stamp duty is JMD10 per JMD1,000 on the appraised value of the security. Registered corporate bonds (securities) of listed and unlisted companies, however, are exempt. The sale of shares on the local stock exchange also is exempt from transfer tax.

Other – A flat tax ranging from JMD 1,000 to JMD 35,000 is levied annually on companies and certain other listed entities on the basis of the aggregate value of their assets.

Anti-avoidance rules:

Transfer pricing – Limited transfer pricing concepts apply where there is a close connection between a resident and a nonresident. The Commissioner is authorized to assess profits in “connected” party transactions (i.e. treating the resident as an agent of the nonresident).

Nonresidents also may be subject to tax on a percentage of turnover if the actual profits of the nonresident cannot be determined.

Thin capitalization – No

Controlled foreign companies – No

Other – Residents continue to be subject to tax on income generated from assets transferred abroad if the resident has the right (even if shared) to enjoy such income.

Disclosure requirements – No

Administration and compliance:

Tax year – The tax year is either the calendar year or is based on the annual financial statements (which fall on any date in the calendar year).

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – Returns are due by 15 March following the year of assessment.

Penalties – In addition to interest for late payments, penalties may include fines or imprisonment.

Rulings – No

Personal taxation:

Basis – Jamaican residents are taxed on worldwide income in excess of JMD 441,168. Nonresidents are taxed only on Jamaican-source income.

Residence – An individual is resident if he/she spends more than 183 days in Jamaica in a tax year.

Filing status – Married couples may elect to

be assessed in the husband's name.

Taxable income – Income arising from profits and gains from a trade, business, profession, employment or vocation is subject to tax, with employment income taxed under a Pay-As-You-Earn system.

Capital gains – Capital gains generally are exempt, unless circumstances indicate that the gain should be treated as business income.

Deductions and allowances – Deductions and allowances include contributions to an approved pension fund (limited to 10% of salary), National Insurance Scheme and donations to an approved charitable organization (limited to 5% of statutory income).

Rates – A flat rate of 25% applies (for Jamaican residents, the rate is imposed on income in excess of JMD 441,168).

Other taxes on individuals:

Capital duty – No

Stamp duty – The stamp duty is 3% on the transfer of real property and 1% on the transfer of shares, based on the sales value.

Capital acquisitions tax – No, but a transfer tax may apply in certain instances.

Real property tax – An annual property tax (payable by the “person in possession”) is levied at a flat rate of JMD 1,000 for unimproved value up to JMD 300,000, and at 0.75% over JMD 300,000.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – The employer and employee each contribute 2.5% (5% for the self-employed) based on the first JMD 1 million annually of the employee's earnings, plus a nominal flat weekly contribution. A prorated monthly amount may also be paid.

Administration and compliance:

Tax year – Calendar year

Filing and payment – Jamaica operates a PAYE system; however, persons on the PAYE system normally are not required to file an income tax return even if the income exceeds the tax threshold of JMD 441,168.

Penalties – In addition to interest for late payments, penalties may include fines or imprisonment.

Value added tax:

Taxable transactions – Jamaica imposes a General Consumption Tax (GCT) on the supply of certain goods, services and on imports.

Rates – The standard rate is 17.5%, with some items (generally basic foods) exempt or zero-rated.

Registration – Registration is mandatory where annual turnover exceeds JMD 3 million.

Filing and payment – For imports, GCT is due when goods “enter” into Jamaica under the Customs Act. Otherwise, GCT generally is due at the earlier of the supplier's invoice being issued, payment or upon the rendering of services or availability of goods.

Source of tax law: Income Tax Act, General Consumption Tax Act, Contractors' Levy Act, Stamp Duty Act and Transfer Tax Act

Tax treaties: Jamaica has concluded 12 tax treaties in addition to the Caricom income tax treaty.

Tax authorities: Tax Administration Jamaica

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