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Taxing Times

*The Impact of the IMF Agreement on
GoJ Tax Policy & Administration*

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Introduction

- IMF Agreement: provides a window of stability
- Agreement Details:
 - 48 month arrangement under EFF
 - Support of SDR 615.38 million to be provided in 16 tranches
 - Certain prior actions prescribed
 - Further commitments made – detailed in attached Memorandum of Economic & Financial Policies (MEFP)
- Why is the IMF concerned with tax policy and administration?
- Quarterly reviews - agreed performance criteria, targets and benchmarks

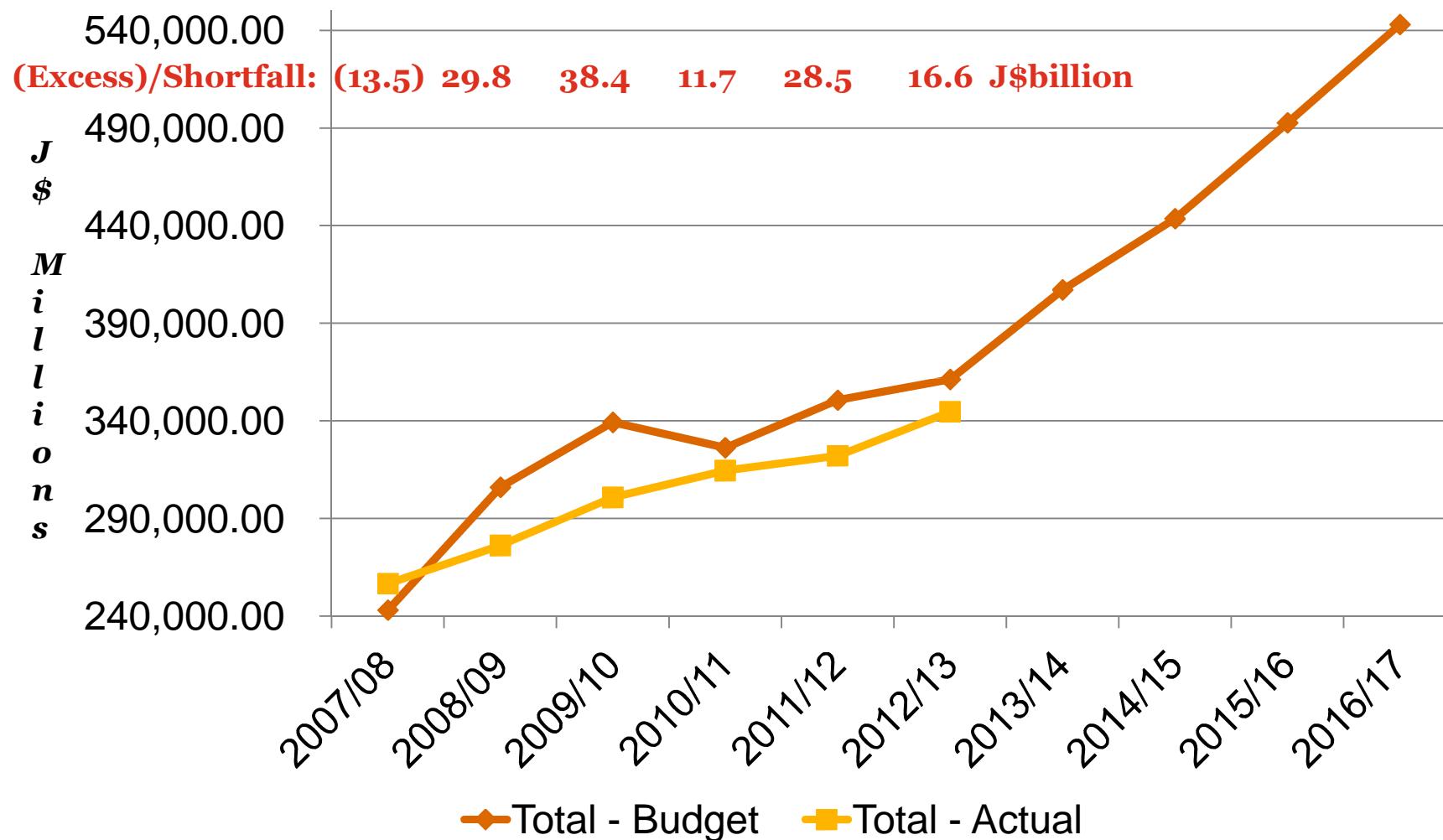
Why is Tax Policy & Administration important?

- Taxes represent the vast bulk (93%) of Jamaica's revenues.
- Comprehensive tax reform - has been flagged for many years.
- Always seem to be in crisis mode – fiscal shortfalls
- Implementing balanced reform has been difficult
- Political dimension
- Tax reform - a key part of getting our financial house in order
- Two key mechanisms through which IMF will influence our tax policy and administration Commitment of Government to:
 - Specific Fiscal Targets
 - Specific Tax Policy & Administrative Reforms

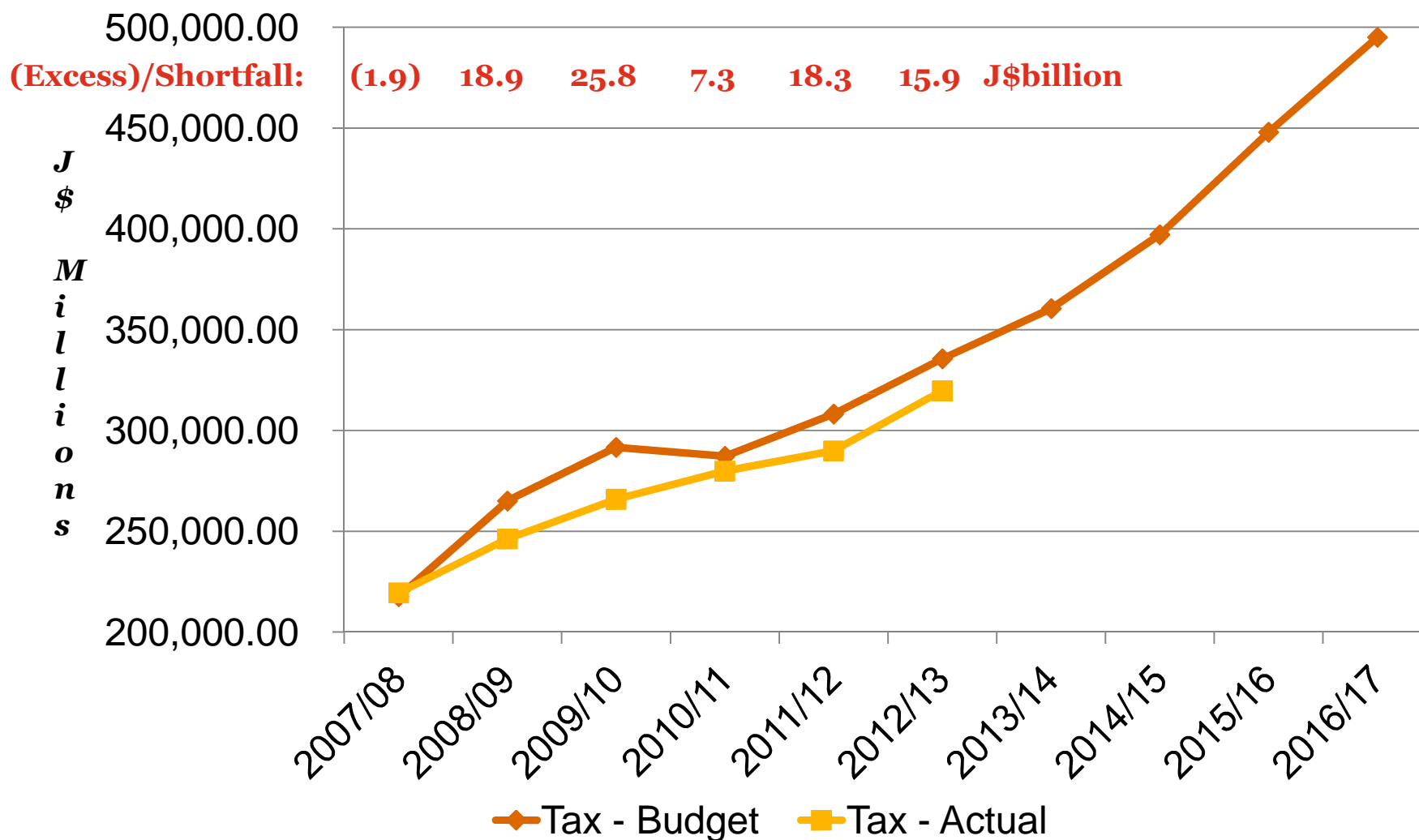
Specific Fiscal Targets

	2012	2013				2014
Fiscal Targets	Dec (Act.)	Mar (Est.)	Jun (Target)	Sep (Target)	Dec (Target)	Mar (Target)
	J\$ billions					
Primary Balance (floor) *	39.1	70.3	14.0	38.2	61.6	111.5
Balance of Public Sector (floor) *	(52.1)	(70.0)	(14.3)	(21.6)	(30.7)	(6.7)
Tax Revenues (floor) *	225.0	322.2	73.3	150.7	231.9	360.5
Cen. Govt. Direct Debt (ceiling) *	1,558.7	150.1	13.9	21.4	27.5	8.6
CG Guaranteed Debt (ceiling) *	166.7	6.0	9.0	8.4	8.4	8.3
“ “ accum. of domestic arrears (clg)	n/a	0.0	0.0	0.0	0.0	0.0
“ “ accum. of tax refund arrears (clg)	n/a	0.0	0.0	0.0	0.0	0.0
Consol Govt. accum. of external debt payment arrears (ceiling)	...	0.0	0.0	0.0	0.0	0.0
Social spending (floor)	...	18.2	4.1	8.3	14.4	20.1
* Cumulative figures						

Total Revenues : Budget versus Actual



Tax Revenues: Budget versus Actual



Prior Actions

Discretionary Waivers	Monthly Cap
(a) Granted to charitable organizations and for charitable purposes	J\$250m
(b) required to satisfy the Government's already existing contractual or legal obligations	J\$80m (including (c) below)
(c) Other (<i>de minimis</i>)	J\$10m

Other than the above - no new waivers or renewals of existing waivers.

Monthly cap - use it or lose it!

Preliminary step towards more comprehensive removal of ministerial discretion – 31 December 2013

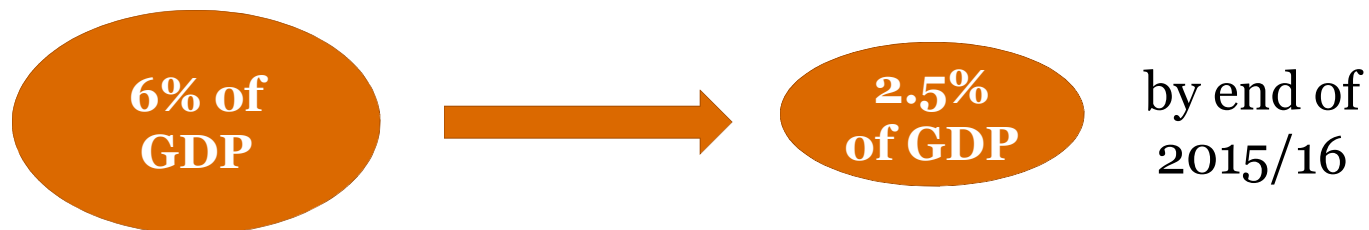
Specific Policy Reform Commitments

Reform of Charities Legislation	Deadline
Parliament to adopt amendments to tax laws to harmonise tax treatment for charities etc. across tax types and remove ministerial discretion to grant waivers to such charities etc.	31 May 2013
Government to table a Charities Bill in Parliament	30 Sep 2013
Minister to cease granting waivers to charities other than consistent with the provisions of the Charities Bill	30 Nov 2013
Reform of Tax Incentives	
Government to table an Omnibus Tax Incentive Act in Parliament to implement a transparent limited tax incentive regime and eliminate ministerial discretionary powers to grant or validate any tax relief.	30 Sep 2013
Government to cease (a) granting new tax incentives under any legacy incentive regimes other than under the Omnibus Tax Incentive Act and (b) any discretionary tax waivers.	31 Dec 2013
Broader tax reform to become effective, including the modernization of taxes, with limited exemptions, and lower tax rates	31 Mar 2014

Broader Policy Reforms

With effect from FY 2014/15 it is proposed to:

- modernise the tax regime;
- greatly reduce tax and tariff exemptions;
- remove zero rating (except for exports);
- establish an initial prudent reduction in tax rates.
- further phased reductions in GCT/SCT statutory rates
- Reductions dependant on enhanced revenue performance.
- Tax reform will be tailored to reduce overall tax expenditures:



Specific Administrative Reform Commitments

Specific Reform Commitments	Deadline
<p>Parliament to adopt amendments to the Revenue Administration Act to:</p> <p>(i) provide access to third-party information to enhance compliance management; and</p> <p>(ii) empower the the TAJ to require mandatory filing for groups of taxpayers and/or types of taxes.</p>	<p>30 June 2013</p>
<p>Government to increase the professional staff of Large Taxpayer Office (LTO) to 120 staff members</p>	<p>30 June 2013</p>

Specific Administrative Reform Commitments

Other administrative reforms to be prioritised include:

- The formal appointment, by end-April 2013, of a Commissioner General of the Tax Administration Jamaica.
- Parliamentary approval of legislation to establish TAJ as a semi-autonomous authority (realised in March 2013).
- Parliamentary approval of the legislation for a write-off policy for tax, interest, penalty and surcharge (realised in March 2013).
- Improvements to the Revenue Administration Act aimed at strengthening tax and customs enforcement and collection powers.
- Publication of names of delinquent taxpayers and traders
- Expanding the automated waiver system, to fully track tax waivers.
- Measures to encourage the payment of taxes through financial institutions.
- Jamaica Customs Department is in the process of transforming to an Executive Agency (EA) by the end of FY 2013/14.

Government has committed to undertake an extensive tax reform agenda within a very tight timeframe!

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