2024/25 National Budget

JAMAICA

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2024/25 National Budget: A Commentary

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In Parliament today, Dr. the Honourable Nigel Clarke, Minister of Finance and the Public Service delivered his opening Budget Presentation for the 2024/25 financial year and outlined how the Government of Jamaica (GOJ) plans to fund its recently tabled 2024/25 National Expenditure Budget of **JMD $1.341 trillion**.

Overall receipts for 2024/25 (including **JMD $191.4 billion** in loan receipts) per the Ministry's published Estimates are projected at **JMD $1.239 trillion**. In his speech today, Minister Clarke indicated the Government's intention is to raise approximately **JMD $45 billion** through a sale (by means of securisation) of Government receivables. He further indicated that approximately JMD $20 billion of this will be earmarked to fund part of the Capital Expenditure Budget with the balance (JMD $25 billion) to be used to fund the new 2024/25 Revenue Measures listed in the table.

We understand from the Ministry of Finance that the balance (JMD $82 billion) was pre-funded from drawdowns under the IMF Resilience and Sustainability Facility and other sources. As the sale of receivables is presumably a one-off transaction, further funding will be required for subsequent years if the new revenue measures are to be maintained beyond 2024/25.

With much animation Minister Clarke again proudly declared "no new taxes" to great applause in the Parliamentary chamber. This is the seventh consecutive year that no new taxes have been imposed and the ninth consecutive year when viewed on a net basis. This is a significant achievement for Jamaica along with other positive macro-economic indicators achieved including a continued downward trajectory in the country's **debt-to-GDP** ratio (estimated to drop to **72%** by the end of this fiscal year).

This fiscal stability has been hard-won and is underpinned by much sacrifice. Multiple GOJ administrations are to be credited for the critical course corrections that Jamaica has implemented in order to get its finances under better control over the last 10+ years.

Minister Clarke and his team at the Ministry are to be commended for maintaining strong fiscal discipline and adherence to Jamaica's fiscal rules framework. The Economic Programme Oversight Committee (EPOC) has also played an important part in ensuring that Jamaica stays on course.

The following table summarises the Revenue Measures and their estimated revenue impact for 2024/25. You may click on each revenue measure to take you to further detail and to our commentary.

Revenue Measure	Revenue Impact JMD Millions
Increase in personal Income tax-free threshold to JMD $1.7 million per annum	(8,951)
Increase in pension exemption & age allowance (to JMD $250,000 each)	(1,073)
'Reverse' Tax Credit for tax compliant individuals below an income cap	(11,400)
Reduction in corporate income tax rate for renewable energy independent power producers from 33⅓% to 25%	(31)
Reduction in corporate income tax rate for regulated trust and corporate services providers from 33⅓% to 25%	(0)
Increase in equity capitalisation cap for Junior Stock Exchange companies	(0)
Increase in *de minimis* value for imported goods for customs purposes to USD 100	(864)
Increase in duty-free passenger allowance from USD 500 to USD 1,000	(331)
Removal of GCT on Armoured Trucks	(50)
Exemption from GCT on the importation of raw foodstuff	(2,420)
Total Cost	(25,120)
Funded By: *Securitisation of Receivables*	25,120
NET COST	**NIL**

Source: Ministry of Finance & the Public Service

2024/25 National Budget: A Commentary - continued

Reflecting on the above revenue measures, a key issue that needs attention is implementation.

As we highlighted in our Budget Commentary last year, it is imperative that additional resources be allocated where needed to help drive implementation. This includes at the Tax Policy Division of the Ministry of Finance and Tax Administration Jamaica both of which have significant workload to implement these reforms. Our concern applies not only to the proposed measures announced today but also to measures that were announced in previous Budget presentations to Parliament but which still have not been fully implemented to date.

Based on our review of Budget Presentations since 2020/21, we note that the following tax-related measures announced continue to await full implementation:

- Promulgation of a new Customs Act & Regulations;
- A wholesale review of the Income Tax Act;
- Reform of the Large Scale Projects & Pioneer Industries Act and implementation of supporting regulations;
- A consolidation of Jamaica's various payroll taxes into a single payroll tax deduction (the was referenced again today by Minister Clarke in his speech);
- Implementation of a uniform sanctions code across Jamaica's tax framework;
- Reduction of Asset Tax on financial institutions;
- A 30% income tax credit on the installation of solar power generation systems (costing up to JMD 4 million) for residential use.
- Modification of the annual filing deadline for Income Tax Returns from 15 March to 15 April.
- Introduction of a mechanism to encourage businesses conducting activities and reporting income overseas to relocate same in Jamaica in light of recent changes to international tax rules and pressures being applied to offshore jurisdictions.

This shows that much still needs to be done to fine-tune and enhance Jamaica's tax regime.

Extensive tax reform was undertaken in 2014 following years of effort and collaboration between the public and private sectors. The positive contribution that these tax reforms made to Jamaica's business environment and fiscal position demonstrates the power that well-designed and executed tax policies can have for an economy. The GOJ has continued its pursuit of tax reform but much remains.

In the past the ability to undertake extensive reform was hindered by the lack of fiscal space. The improved fiscal position today provides a new opportunity to pursue further tax policy and administrative reforms which were not implemented in earlier initiatives. The path to national development is paved with tax receipts. This does not mean imposing new or higher taxes. But it does mean that we should seek ways to improve performance, eliminate inequities and enhance compliance.

The local, regional and global environment has also evolved requiring changes that would not have been contemplated years ago. These include the multiple frameworks to respond to international developments as well as to adhere to Jamaica's commitments.

By way of example, Jamaica should be looking to implement some form of 'top-up tax' mechanism in response to the implementation of Global Minimum Tax under Pillar Two rules. This can serve to protect Jamaica's tax base where a 15% tax rate is imposed overseas on applicable multinationals. In this regard, it is noteworthy that Barbados has already tabled such legislation in its Parliament.

Other areas in which reform is needed include:

- Payroll taxes - addressing inequities across different taxpayers (i.e. not just consolidation);
- Economic substance requirements;
- Tax treaty expansion/negotiation;
- Reform of the dividend tax regime;
- Taxation of digital transactions and services;
- Review of higher tax rates currently levied on certain sectors;
- Tightening the tax net to ensure more persons pay their fair share;
- Other administrative reforms to enhance efficiency and effectiveness.

Used wisely, our tax regime can continue to play an important part in attracting investment, promoting entrepreneurship, stimulating economic activity and providing much needed resources to address the needs of Jamaica and our people.

2024/25 Budget: The Key Numbers

Total Estimated Receipts 2024/25

JMD 1,239 Billion

Loan Receipts
JMD 192 billion

Grants
JMD 5 billion

Capital Revenue
JMD 14 billion

Non-Tax Revenues
JMD 104 billion

Tax Revenues JMD 924 billion

	2024/25 Budget	2023/24 Estimates
Income Tax	321.71	251.82
Customs Duty	66.45	63.51
GCT	300.86	279.03
SCT	99.05	104.00
Travel Tax	34.14	28.67
Education Tax	53.62	48.11
GART	3.98	3.59
Other	44.56	46.17
Total	**924.37**	**824.90**

Total Estimated Expenditure 2024/25

JMD 1,341 Billion

Capital Budget JMD 80 billion

	2024/25 Budget	2023/24 Revised Est.
Finance	26.36	4,05
Education & Youth	1.95	0.77
Health & Wellness	11.53	6.05
National Security	3.62	5.11
Economic Growth	20.87	31.69
OPM	5.48	2.96
Other	10.19	8.4
Total	**80.00**	**59.03**

Recurrent Budget JMD 1,261 billion

	2024/25 Budget	2023/24 Revised Est.
Finance	651.89	424.93
Education & Youth	164.45	168.09
Health	136.50	130.86
National Security	133.78	134.02
Economic Growth	18.66	18.99
Labour & Social Sec.	20.01	16.83
Science & Tech.	23.79	19.9
Local Govt.	20.78	26.02
Other	91.14	93.36
Total	**1,261**	**1,033**

2024/25 National Budget: Selected Highlights

Increase in Annual Personal Income Tax-Free Threshold	**Summary:** It is proposed to increase the Personal Income Tax Threshold from JMD $1,500,096 per annum to **JMD $1,700,088** per annum (JMD $141,674 per month / JMD $32,694 per week) for individual taxpayers (who are tax resident in Jamaica). The effective date for implementation of this measure is **1 April 2024** and it is estimated to cost **JMD $8.951 billion** for 2024/25. **PwC commentary:** Minister Clarke indicated in his speech that approximately 450,000 persons currently fall below the JMD $1.5 million threshold. The Ministry estimates that increasing the threshold by JMD $200,000 per annum will take a further 24,702 individuals out of the income tax net. The Ministry Paper also states that "*this subset of persons is part of a larger cohort of approximately 641,495 PAYE employees plus thousands of others who are self-employed*". We assume that this is the total number of individuals now on the PAYE roll. In 2017 (when the threshold was increased to JMD 1.5 million), it was indicated that a total of 470,000 persons were on the PAYE roll. The individual tax-free threshold has been the topic of much political discussion in recent times. In his presentation Minister Clarke noted the estimated costs of moving the threshold upwards: JMD $23.6 billion to increase the threshold to JMD $2.1 million per annum, JMD $34.6 billion to move it to JMD $2.5 million per annum and JMD $45.6 billion to crank the threshold up to JMD $3 million per annum. These estimates are useful when considering any further political discourse as it can be seen how costly it is to move the threshold. Any proposal to increase the threshold to such levels will also require a clear statement as to how this shall be funded. In light of this, Minister Clarke chose a more modest and affordable increment and noted he would seek to increase the threshold 'step by step' over time. As income tax is imposed by reference to a calendar year of assessment, we would recommend that income tax changes be implemented, where feasible, by reference to the income tax year and not during the tax year as this is administratively more challenging and may require apportionment.
Increase in Pension Income Exemption and Age Allowance	**Summary:** The Income Tax Act currently provides an exemption from income tax in respect of JMD $80,000 of pension income for pensioners aged fifty-five years and over. Individuals sixty-five years and older are entitled to a further exemption in respect of JMD $80,000 of income from any source. It is proposed that each of these amounts will be increased to **JM $250,000** per annum with effect from **1 April, 2024** and is estimated to cost **JMD $1.073 billion** for 2024/25. **PwC Commentary:** The initiative is to be welcomed. It should provide much needed additional tax relief for the elderly as well as pensioners on fixed incomes. These exemption levels were last updated in 2009 so a recalibration was long overdue. A pensioner over the age of sixty-five years will now benefit from the increased threshold of $1,700,088, the pension allowance of $250,000 and the age allowance of $250,000 for a grand total of $2,200,088 of eligible tax-free income per annum.

2024/25 National Budget: Selected Highlights

Reduction in Corporate Income Tax Rate for renewable energy IPPs	**Summary:** Under current tax rules, regulated companies are liable to Corporate Income Tax (CIT) at the higher rate of 33⅓% instead of the standard CIT rate of 25%. For this purpose, a regulated company means a company which is regulated by either the Bank of Jamaica, the Financial Services Commission (FSC) or the Office of Utilities Regulation (OUR). This would include Independent Power Producers (IPPs) who generate and supply electricity from renewable sources to the Jamaica Public Service Company (JPSCo) pursuant to Power Purchase Agreements. It is proposed that, effective for the Year of Assessment 2023, an IPP that generate 75% or more of its production from renewable sources (wind or solar) shall be liable to the standard rate of CIT of 25% (instead of 33⅓%) but shall continue to be regarded as ineligible to claim an Employment Tax Credit (ETC) in computing its net CIT liability. This is estimated to cost **JMD $31 million** for 2024/25. **PwC Commentary:** This amendment is in keeping with the Government's stated policy to support the renewable energy sector. In the circumstances, the imposition of a higher rate of CIT on renewable energy IPPs would run counter to such a policy but their regulation by OUR automatically drew them into the higher tax regime. The amendment seeks to correct this. The MInister referenced wind and solar in his presentation when speaking about renewable sources. It is our understanding that the Ministry will need to carefully consider whether the legislative amendments to give effect to this will extend beyond solar and wind power for generation to other sources of renewable energy.
Reduction in Corporate Income Tax Rate for Regulated Trust and Corporate Service Providers	**Summary:** The Trust and Corporate Service Providers Act regulates service providers engaged in the provision of regulated trust and corporate services. Under this framework, these entities are regulated by the Financial Services Commission. Consequent on their regulation by the FSC, this brings them within the scope of the higher rate of corporate income tax (CIT) imposed on regulated companies. The proposed amendment seeks to reinstate the standard rate of CIT of 25% to such activities and alleviate concerns expressed by the industry. It is estimated that the cost of this change should be 'Nil" as CIT has not been collected at the higher rate since regulation by the FSC commenced. **PwC Commentary:** This clarification will be welcomed by the industry. We note that the MInistry Paper issued has not specifically addressed the status of these providers in connection with claiming Employment Tax Credit. On the understanding that the intent of the amendment is to put these providers back into the same CIT position as if they were not regulated by the FSC, then the legislative amendments implementing this change ought to specifically address the EC and ensure their continued entitlement to claim same e.g. by excluding such a service provider from the definition of 'regulated company'.

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Increase in *de minimis* value for imported goods for customs purposes	**Summary:** The *de minimis* value of imported goods for customs purposes will be increased from USD 50 to USD 100. The revenue loss from this measure is estimated at **JMD 864 million** for 2024/25. This is programmed to take effect in **April 2024**. **PwC Commentary:** The increase in the *de minimis* value of imported goods is in response to the increased online purchasing and importation of goods into Jamaica. At present imports of goods valued at USD 100 or less represent approximately 20% of all customs declarations made but yet only account for 0.5% of importation charges collected. It is anticipated that increasing the de minimis level to USD 100 should reduce the administrative customs burden while also stimulating the local economy through intermediaries and shipping companies involved in the importation of goods into Jamaica.
Increase in duty-free inbound passenger allowance for personal/household effects	**Summary:** An increase in the duty-free inbound passenger allowance from USD 500 to USD 1,000 is also proposed. This measure will result in revenue loss of approximately **USD 331 million** and is slated to take effect in **April 2024**. **PwC Commentary:** The increase in the passenger allowance will be welcomed by passengers and is more reflective of the increased cost of procuring personal and household items that are commonly purchased by travellers. It should also reduce the administrative effort required by Jamaica Customs Agency to police the higher allowance at the ports of entry.
Increase in Maximum Permitted Voting Equity Capitalisation for Companies Listed on the Junior Stock Exchange	**Summary:** Companies listed on the Junior Stock Exchange benefit from a number of tax incentives but are limited to a maximum participating voting share capital of JMD $500 million. This is seen as an impediment for companies wishing to list on the Junior Stock Exchange. With effect from the **Year of Assessment 2024**, the maximum voting share capitalisation permitted will be increased to **JMD $750 million**. The Minister clarified in his Budget Presentation that the increase in this equity cap shall apply to new listings on the Junior Stock Exchange i.e. the inference being that existing listings will remain at the JMD $500 million cap. **PwC Commentary:** The Junior Stock Exchange relief was reintroduced in 2016 - since that date the equity cap has not been increased. As smaller companies experience growth, the risk of exceeding the current limit of JMD $500M may deter them fo pursuing a listing on the Junior Exchange and compel entities to seek a listing on the Main Stock Exchange before they are quite ready to do so. It is expected that the increase in the cap of JMD $750M will be welcomed by the market. It is not clear to us however why the increased cap would not apply generally to any Junior Market listed company as opposed to confining it to new listings. This would place new listings at an advantage over existing listings and preclude an existing listing from raising further capital while still on the Junior Exchange. Access to raising additional capital while still within the Junior Stock Exchange framework may help to bolster the company in advance of migrating to the Main Stock Exchange after its incubator period is up.

2024/25 National Budget: Selected Highlights

Extension of General Consumption Tax (GCT) exemption to imported raw foodstuff	**Summary:** Under current tax rules, the supply within Jamaica of raw unprocessed foodstuff (e.g. fruits, vegetables, meats, fish, ground provisions, legumes etc.) is exempt from general consumption tax (GCT). This exemption has not however been afforded to the importation into Jamaica of such raw foodstuff. The situation was further compounded by affording the GCT exemption to raw foodstuff imported from within CARICOM but levying GCT on imports from outside of the CARICOM Community. This disparity in treatment was an attempt to provide an additional measure of protection for local agricultural products against cheap imports. While Jamaica's customs tariff imposes other importation charges (such as customs duty or additional stamp duty) on foreign agricultural produce and at such rates to provide a degree of trade protection, the application of GCT (which is a domestic tax imposed on consumption) in a different manner to local products versus imported products is seen as potentially being in contravention of the General Agreement on Tariffs and Trade (GATT). Minister Clarke noted that given Jamaica's international obligations under GATT and the risk of being blacklisted by the World Trade Organisation (WTO) in relation to this matter, it became imperative that Jamaica regularises its position before adverse action is taken. In light of this, Minister Clarke announced his intention to extend the same GCT-exempt treatment to imported raw foodstuffs as currently applies to locally produced raw foodstuffs. It is anticipated that this shall be implemented in the **first quarter of the 2024/25 financial year** and is estimated to cost **JMD $2.42 billion** in revenue. **PwC Commentary:** Given Jamaica's international commitments under GATT and the importance of avoiding sanction over a breach of rules, the GOJ has little option but to correct this. It is unclear at this point as to whether Jamaica has any risk of liability as a result of implementing and collecting GCT in this manner. An important lesson to be learned from this is that however well-meaning a tax policy initiative may be, it should not be designed in a manner that risks contravening international obligations. While this should provide greater access for the local consumer to import raw foodstuff at lower prices, it will place further pressure on our local agricultural sector and could impact food security efforts. Caution will need to be exercised against any "dumping" of cheap, subsidised produce in the Jamaican market. Caution also needs to be exercised in relation to Jamaica's imposition and collection of other importation charges (such as CAF) in order to ensure that it meets the requirements of the GATT agreement. Jamaica should also take steps to ensure it properly implements the provisions of the European Partnership Agreement (EPA) and delivers administratively on commitments made and avoids unnecessary conflict.

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Removal of GCT on Armoured Cash Courier Vehicles	**Summary:** Companies operating an approved cash courier business will be able to import armoured vehicles in excess of CIF value of US$33,000 free of GCT. The added cost of armouring an existing courier vehicle will not be subject to GCT. This is to be effected from **1 April 2024** and is estimated to cost **JMD $50 million**. **PwC Commentary:** There has been an increase in the cost and risk associated with the movement of cash in recent times, given the targeting of couriers by criminals. This initiative seeks to provide support to the couriers and enhance the safety of staff involved in the movement of cash. To complement this initiative, we would suggest that the GOJ and the financial sector make a fresh and reinvigorated push to seek and gain greater acceptance around the use of digital currency in an effort to reduce the volumes of cash required.
Reverse Income Tax Credit for certain individuals	**Summary:** In an effort to incentivise online income tax filing for the Year of Assessment 2023 and payment by 31 March 2024 by individuals earning less than JMD $3,000,000, the GOJ proposes to grant a 'reverse' tax credit of JMD $20,000 to all such individuals (whether employed or self-employed) who meet the filing/payment requirement. The credit will be applied for through an online application operationalised by TAJ and the credit will be transferred to the eligible individual by direct funds transfer. This is expected to benefit up to 570,000 individuals and is expected to cost **JMD $11.4 billion**. The programme is targeted to be operational by the second quarter of 2024/25. **PwC Commentary:** While we understand the desire of the Government to incentivise online filing and payment, we envisage that anyone who intends to file as a self-employed person (or who is included in an employer's PAYE filing) are already largely accounted for. It is also not clear that a once-off JMD $20,000 credit to someone who otherwise will not file and pay any tax will sufficiently incentivise them to register/file/pay. We also anticipate that the roll-out of such a large transfer scheme for a payment of JMD $20,000 on a potentially once-off basis might be costly to administer vis-a-vis the relative benefits provided.
Other Initiatives: **Unemployment Insurance Scheme**	**Summary:** Minister Clarke indicated that an Unemployment Insurance Scheme is being considered, to provide a measure of income security for the unemployed. Contributions to the scheme will be based on a percentage of salary and the benefit period will be established, as well as other parameters. Consultations with stakeholders are ongoing. **PwC Commentary:** The establishment of an unemployment insurance scheme has been discussed for many years and would provide critical support for unemployed persons. The Minister mentioned the parameters for similar schemes that have been established in CARICOM jurisdictions. Consultations with stakeholders is also essential to ensure that the scheme that is implemented is fit for purpose.

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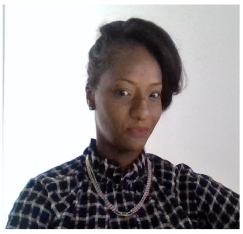

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Let's Talk

To evaluate how the 2024/25 Budget may impact your business operations or to seek guidance on any tax matter, please reach out to one of our Tax Team or your usual PwC contact.