2025/26 Budget Review

Jamaica

12 March 2025

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2025/26 Budget - A commentary

12 March 2025 - Kingston, Jamaica

On a historic day for Jamaica, the Honourable Fayval Williams, Minister of Finance and the Public Service, and Jamaica's first female Finance Minister, delivered her maiden opening Budget Presentation for 2025/26 in the Jamaica's House of Representatives.

Brian J. Denning
CARICOM Tax Leader

In an energetic presentation, Minister Williams outlined how the Government of Jamaica (GOJ) plans to fund its recently tabled 2025/26 National Expenditure Budget of **JMD$1.260 trillion**.

Some key themes

Minister Williams shaped her presentation around some key themes:

- Delivering a balanced budget
- No new taxes
- Listing a series of "good news" revenue and non-revenue measures;
- Encouraging both greenfield investment and re-tooling of existing businesses;
- Needing to secure productivity gains in the public sector (following public sector wage adjustments);
- Continuing commitment to fiscal discipline;
- Resisting a temptation to deliver a "run wid it" Budget in an election year;
- Being resilient to external shocks
- Providing some additional support/relief to persons at the lowest socio-economic levels.

A fiscal success story

While much still needs to be done to realise Jamaica's true potential, the nation can rightly be proud of the extent of its fiscal turnaround over the last 12 years.

In 2013 Jamaica's **Debt:GDP Ratio** was a mammoth **147%** (amongst the highest in the world). This meant that as a nation we were simply working to service our crushing national debt with not enough left over to adequately meet our citizens' needs.

Through a process of transformational reform (including tax reform), sacrifices by the business community and the general public, public sector wage restraint, public/private sector collaboration and a strong fiscal discipline that has spanned multiple administrations, Jamaica's **Debt-to-GDP Ratio** is estimated to fall to **68.7%** by the end of this fiscal year and is programmed to track to **60%** by 2027/28.

This strong fiscal performance was reflected in February 2025 by the international ratings agency Fitch Ratings which affirmed Jamaica's **Long-Term Foreign-Currency Issuer Default Rating (IDR)** at ' **BB -** ' with a rating outlook of 'Positive'.

Fitch further noted that "*Jamaica's 'BB-' ratings reflect stronger governance than the peer median, significant progress with debt reduction, a sound fiscal framework and a strong political commitment to deliver large primary surpluses*".

On the flip side Fitch observed that "*the ratings remain constrained by deep structural weaknesses including subdued growth potential owing to a high crime rate, low productivity and weak demographics, and vulnerability to external shocks including weather-related.*"

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No new taxes

Given the positive fiscal position, Minister Williams proudly declared ”no new taxes” in her first Budget to Parliament. This is the eighth consecutive year that no new taxes have been imposed and the tenth consecutive year when viewed on a net basis - a remarkable achievement for Jamaica considering the new or additional taxes that were imposed annually for many years prior to Jamaica's fiscal turnaround.

Commitment to fiscal discipline

Minister Williams committed the Government to continued fiscal discipline and noted that the Government was not prepared to "*run wid it*" in terms of the distribution of 'largesse' on the population in an election year.

While Jamaica's statutorily-imposed fiscal rules have also played a key role in maintaining fiscal discipline, Minister Williams noted that the Government has chosen to balance the budget for 2025/26 rather than take advantage of the fiscal space permitted within the parameters of these rules.

This to be commended as Jamaica cannot afford to slip back and squander the heavy sacrifices made by the business community and the general public to get to this point. The hard-worn fiscal stability should be preserved while finding ways for all citizens to participate in and feel the benefits.

Resilience to external shocks

Notwithstanding impressive fiscal performance, solid ratings and a positive outlook for the economy, Jamaica remains vulnerable to external shocks (and this was noted by Fitch Ratings in its February 2025 outlook).

There is no question that Jamaica is much more economically resilient today that it was say, fifteen years ago.

As a thought experiment, ask yourself how would Jamaica have managed if the COVID epidemic had hit Jamaica in say 2010 instead of 2020?

But we are still vulnerable. The Island was heavily impacted by Hurricane Beryl in July 2024 and parts of the Island have still not fully recovered. More broadly, the world today is characterised by much upheaval, danger and uncertainty from a variety of sources: war, climate change, international geopolitical wranglings, threats of tariffs, sanctions and more.

In her presentation today, Minister Williams referenced the importance of Jamaica maintaining resilience in these uncertain times including:

1. by ensuring that the country maintains strong Net International Reserves (NIR) to provide a cushion against shocks that may arise. The NIR was USD$5,583.7m at 31 December 2024;

2. by maintaining various catastrophe bonds/funds and contingent facilities in place in the event of weather-related shocks (which are becoming increasingly destructive due to climate change). Minister Williams noted that Jamaica has coverage/credit facilities totaling JMD$130.9bn currently in place.

Projected receipts for 2025/26:

Receipt category	JMD Mil
Recurrent – Taxation	949,494
- Non-Tax	139,816
Capital (Extraordinary Receipts)	4,946
Grants - Capital Development Fund	812
- External Grants	5,961
Loan Receipts	158,442
Total Revenue & Loan Receipts	**1,259,471**

Investment Promotion Initiatives

Large-Scale Projects and Pioneer Industries

In 2013, Parliament passed the Income Tax Relief (Large-Scale Projects & Pioneer Industries) Act with a view to providing a mechanism to offer additional tax incentives to attract large-scale projects to establish in Jamaica and to encourage the development of new pioneer industries.

To our knowledge, this Act has not attracted any eligible investment to date and has also lacked Regulations to properly operationalise same.

Minister Williams indicated that the Government intends to table and pass a Bill to repeal and replace this Act by the end of this financial year with a framework that is more 'fit for purpose' to attract eligible investment in large-scale projects and to promote pioneer industries.

In this regard, Minister Williams noted that following passage of this revised Act with supporting Regulations, the Government intends to utilise this new framework to secure and deliver a proposed large-scale tourism project (involving a USD$1bn investment).

This is a welcome development as the Act in its current form has not been successful in attracting investment to date. Entities availing of incentives granted under this regime should also consider the impact of GloBE (Pillar 2) Rules where applicable.

Review of Assets Tax Regime

Since 2012/13 an *ad-valorem* Assets Tax has been imposed on 'specified regulated entities' (including deposit-taking entities regulated by the Bank of Jamaica and securities dealers and insurance companies regulated by the Financial Services Commission).

This is imposed at the rate of 0.25% of the value of their 'taxable assets'. These entities are precluded from claiming a tax deduction for Assets Tax incurred.

Although imposed on financial institutions, the Assets Tax is substantially borne by the borrowing public or investors (depending on the assets involved). It also acts as a disincentive to maintain financial assets within Jamaican regulated entities.

Jamaica has a strong and well-regulated financial sector with extensive financial talent. Our ability to attract financial activities to be undertaken from Jamaica is curtailed by this Assets Tax if the activities require assets to be recorded on the balance sheet of the local financial services entity.

Minister Williams indicated that she intends to engage with the financial services sector in the near future with a view to assessing how this issue can be addressed.

Establishment of a Micro Market on the JSE

Minister Williams announced the Government's intention to establish a Technical Working Committee with a view to developing a Micro Market on the Jamaica Stock Exchange (JSE) to enable micro and small businesses to list and raise equity capital with participating equity capital in the JMD$10-50m range.

She further noted that the JSE has identified over 250 suitable micro and small businesses that wish to raise equity funding but do not meet the requirements of the Junior Market for an initial public offering (IPO). This includes a threshold of JMD$50m in participating equity capital.

Bring business activities and investment holdings home

Minister Williams indicated her intention to develop and shortly announce initiatives to encourage taxpayers to bring home, to Jamaica, business activities (including associated business assets and employment) as well as investment holdings, that have been established in or transferred to other tax jurisdictions.

Accelerated Capital Allowances

Minister Williams has announced proposed modifications to the capital allowances regime to promote both greenfield capital investment as well as re-tooling and upgrading by existing businesses. Details of these proposals are set out here.

Reform of Dividend Withholding Tax Regime (DWT)

Reduction in DWT for Non-Residents to 15%

Under current tax rules, ordinary dividends paid by Jamaican tax resident companies are liable to dividend withholding tax (DWT) at the following rates:

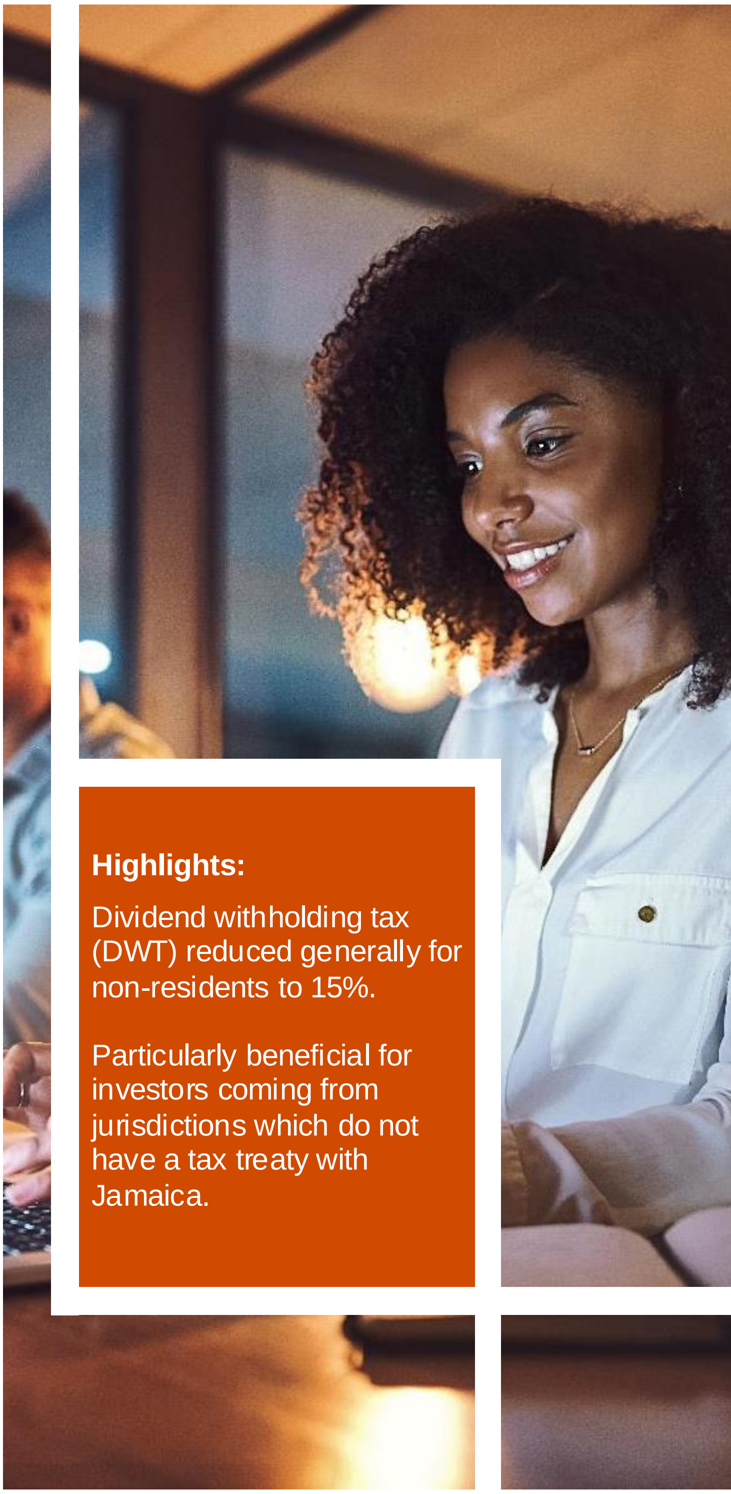
Shareholder resident in:	%
Jamaica – General rate	15%
Jamaica - company owning 25%+	0%
Overseas - individual	25% *
Overseas - company	33 1/3% *

* subject to treaty protection

Where an overseas investor earns profits in a local subsidiary taxed at 25% and the after-tax profits are then subjected to DWT of 33 1/3% when distributed, this results in an effective rate of 50% on distributed profits. This high composite rate acts as a deterrent to overseas investors (particularly those coming from jurisdictions that do not have a tax treaty with Jamaica) and encourages the establishment of intermediate holding structures in order to mitigate this exposure and render the investment viable.

Minister Williams has announced that the rate of DWT for dividends paid to non-residents (whether individuals or companies) shall be reduced to 15% (subject to treaty protection). This measure is welcome as it will enable investors from around the world to invest directly in Jamaica and be subject to a more competitive effective rate of income tax without having to establish and maintain intermediate structures. We would recommend that consideration also be given to a 10% DWT rate for non-resident companies owning 25%+ share capital (which would compare to 0% for equivalent Jamaican companies).

The effective date of this change has not yet been announced. The Ministry Paper states that this will cost **JMD$8.8m** – this figure seems low but may be reflective of the fact that investors are undertaking planning steps to avoid DWT rates above 15%.



Highlights:

Dividend withholding tax (DWT) reduced generally for non-residents to 15%.

Particularly beneficial for investors coming from jurisdictions which do not have a tax treaty with Jamaica.

General Consumption Tax (GCT) Measures

Overview of Tax Measures

The Minister announced key measures affecting GCT, including a change in the registration requirements for taxpayers as well as a reform of GCT rules applicable to supplies of electricity to residential customers.

Key Takeaways:

- Increase in GCT registration threshold from JMD$10m to JMD$15m
- Reduction in the rate of GCT on the supply of electricity to residential customers from 15% to 7%
- Introduction of tax rebates to encourage energy conservation
- Introduction of prepaid electricity programme and incentives for targeted communities
- Both measures are estimated to cost **JMD$4.367bn**
- The standard rate of GCT for commercial users will remain at 15%, including for pre-paid commercial users.

Increase in GCT registration threshold

The increase in the annual turnover threshold for GCT registration from JMD$10m to JMD$15m is presented as a measure to decrease the compliance burden on small and micro business to account for and file monthly GCT returns.

The administrative costs incurred by TAJ in handling these accounts are also expected to decrease.

The measure is slated to come into effect from 1 April 2025.

PwC's commentary:

The increase in the GCT registration threshold will be welcomed by small and micro businesses provided that the option to voluntary register remains.

For a small business dealing with customers who are GCT registered, it is important for that business to be able to charge GCT on its supplies and claim input tax credits on expenses incurred in making those taxable supplies.

Reform of GCT on residential electricity

Effective 1 May 2025, post paid residential users of electricity will benefit from a reduction in the standard rate of GCT from 15% to 7%. However, the existing zero rate on the first 150 kilowatt-hour (kWh) used per month will be removed.

Post paid customers using 250 kWh or less of electricity per month may benefit from a rebate of the 7% GCT charge, as well as a 3% subsidy.

Pre-paid customers will be subject to a 7% GCT rate. A programme for new pre-paid users will be introduced with an incentive package for targeted communities to set up and use pre-paid accounts

PwC's Commentary:

The reduction in the GCT on electricity is a welcomed reprieve for residential users. It is anticipated that the introduction of the pre-paid regime will encourage households in the targeted communities to formalise their consumption in an effort to more equitably spread the cost for this service.

Increase in Personal Income Tax Threshold

Income Tax Threshold

It has been announced that the Personal Income Tax (PIT) Threshold will be increased to JMD$2m over the next three years. The threshold was last increased to JMD$1.7m in April 2024.

The increases will be introduced as follows:

Fiscal year	Tax Threshold	Revenue Loss	Effective date
Current	$1,700,088		1 April 2024
2025/26	$1,799,376	$4.8 billion	1 April 2025
2026/27	$1,902,360	$4.73 billion	1 April 2026
2027/28	$2,003,496	$4.44 billion	1 April 2027

PwC’s Commentary:

The increase in the PIT threshold is a popular but expensive measure. An increase in threshold by JMD$100,000 per annum translates (at 25%) to a reduction in income tax of approximately JMD$480 per week.

Income tax is imposed by reference to a calendar year of assessment. Administratively, increasing the threshold with effect from 1 April creates greater challenges for employers who are then required to make mid-year adjustments to payroll systems. Taxpayers filing returns will be required to work out composite annual tax-free thresholds for the year.

The Minister’s presentation indicated that the increases in the income tax threshold over the next three years are estimated to result in a revenue loss of **JMD$13.97bn**, with approximately 28,880 persons coming off the tax roll. It remains to be seen how this PIT threshold increase will be funded over the next three years.

Accelerated Capital Allowances

Introduction of Accelerated Capital Allowances on a temporary basis

In an effort to stimulate capital investment in the productive sector over a two-year period from 1 January 2025 to 31 December 2026, Minister Williams announced significant changes to the capital allowance regime to incentivise taxpayers to undertake investments and upgrades in production equipment, factories and other commercial buildings.

In lieu of current capital allowance rates, we understand that the initial and annual allowances highlighted in the adjacent table will be claimable in respect of eligible capital expenditure incurred between 1 January 2025 and 31 December 2026. We expect that current rates will continue to apply to expenditure incurred before or after these dates.

PwC's Commentary

Given the significant proposed temporary enhancement in rates, we expect manufacturers, producers and other commercial enterprises to take advantage of this accelerated allowance programme and invest and retool their business in 2025 and 2026. Clarification will be needed as to whether it includes expenditure on the purchase, construction of renovation of assets. The programme will result in more accelerated tax shelter and reduction in income tax payable in earlier years. The impact should be significant and may result in some taxpayers generating tax losses after claiming the accelerated allowances.

For example, 28% of eligible expenditure incurred on concrete industrial buildings can currently be written off in the first two years with 4% p.a. thereafter. This is being temporarily accelerated to a 66% write-off over the same two-year period and 5.5% per annum thereafter. We expect these accelerated allowances to have some impact on corporate income tax collected in 2025-2026 but no cost appears to be assigned in the Revenue Measures published.

Industrial Buildings	Initial Allowance Year 1	Initial Allowance year 2	Annual Allowance
Concrete Buildings	30%	25%	5.5%
Inorganic Materials e.g zinc	30%	25%	20%
Organic Materials e.g. wood	30%	25%	20%
Non-Industrial Buildings	**Initial Allowance Year 1**	**Initial Allowance Year 2**	**Annual Allowance**
Concrete Buildings	12%	8%	5%
Inorganic Materials e.g zinc	30%	20%	20%
Organic Materials e.g. wood	36.5%	24%	20%
Plant & Machinery	**Initial Allowance**		**Annual Allowance**
Machinery – manufacture of primary products	40%		25%
Computer Equipment	40%		33.33%
Other plant & Machinery	20%		25%

Let's talk

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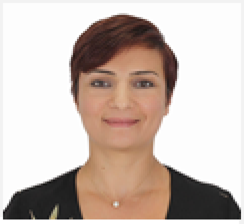

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To evaluate how the 2025/26 budget may impact your business operations or to seek guidance on any tax matter, please reach out to one of our Tax Team or your usual PwC contact.

Tax services

Our vision is to build a sustainable and competitive advantage by offering unique, efficient and professional tax solutions that deliver value to our clients.

We believe that in order to maximise client satisfaction, a broad understanding of the tax laws and our client's needs is required.

We offer a range of tax services and employ extensive tax and corporate expertise to cater to a variety of clients and their unique needs across multiple industries.

This allows our clients the opportunity to focus on their core competencies in growing their sustainable businesses.

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