

TRADE BEAT

INTERNATIONAL & INDUSTRY LIAISON UNIT

VOLUME 9 ISSUE 4

FISCAL INCENTIVES FOR THE PRODUCTIVE SECTOR



FISCAL INCENTIVES DEFINED

A fiscal incentive is a method or tool used by the government to encourage, create, or reward enterprises, companies or individuals to stimulate growth in the economy through a relief of taxes or fees. This relief is intended to result in the expansion of productive activities.

Fiscal incentives are also given to educational, religious and welfare institutions to have an impact upon social development.

The benefits to be derived from economic growth include:

- Increase in the Gross Domestic Product (GDP),
- Creation of a favourable balance of payments,
- Increase in employment, and
- Creation and protection of infant or small industries.



FISCAL INCENTIVES IN THE CARIBBEAN

Granting of incentives in the Caribbean started in the 1950's. Many Third World countries in the post colonial period were under-developed and were experiencing no real growth. Consequently, many Caribbean countries were faced with growing unemployment and persistent poverty.

It was then that renowned economist, Sir Arthur Lewis, proposed an economic model of development known as "Industrialization by Invitation". The argument stated that if governments in the region were to industrialize their economies by inviting foreign capital and investments to set up industries and provide them with tax incentives, it would stimulate growth in the Caribbean. Hence, incentive programmes were introduced throughout the region.



INCENTIVES IN JAMAICA

Subsequent to Lewis' recommendation, the Government of Jamaica targeted various sectors in which to promote growth. The sectors included:

- Mining, specifically bauxite and alumina
- Tourism, including hotels, resort cottages and attractions
- Manufacturing and Export
- Motion Picture Industry
- Shipping
- Agriculture

INSIDE THIS ISSUE:

Fiscal Incentives Defined	1
Overhaul of Fiscal Incentives in Jamaica	2
The Customs Tariff (Revision) (Amendment) Resolution, 2013	3
Importation Using Productive Inputs Relief	3
Productive Inputs Relief Application Process (Overview)	4

FISCAL INCENTIVES FOR THE PRODUCTIVE SECTOR

FISCAL INCENTIVES IN JAMAICA– THE OVERHAUL

Prior to the fiscal incentives overhaul in Jamaica, various requests for incentives were made to, and granted at the discretion of the Minister of Finance, to facilitate waivers for the private sector. These amendments led to the creation of a new fiscal incentive framework known as the Fiscal Incentives Act, commonly referred to as the Omnibus. The new legislation sought to establish a transparent and comprehensive system to govern all tax incentives.



Consequently, the new regime eliminated the former sector-based incentive programmes and implemented a non-discretionary regime. Thus, the discretionary element of the approval process was removed and the industries which qualified or continued to qualify for incentives were specified.

The introduction of the Omnibus included the implementation of four new pieces of legislation aimed at promoting business competitiveness within the Jamaican economy. Thus, effective January 1, 2014, the Omnibus replaced long-standing or “legacy” incentive systems, and also eliminated the necessity for discretionary waivers.

The four pieces of legislation under the Omnibus are as follows:

- The Fiscal Incentives (Miscellaneous Provisions) Act, 2013
- The Income Tax Relief (Large-scale Projects and Pioneer Industries) Act, 2013
- The Customs Tariff (Revision) (Amendment) Resolution, 2013
- The Stamp Duty (Amendments of Schedule) Order, 2013

FISCAL INCENTIVES ACT– REPEALED LEGISLATIONS

In the process of overhauling the fiscal incentives regimes, several acts were repealed in order to facilitate the implementation of the Omnibus.

The repealed Acts included:

- The Export Industry Encouragement Act
- The Hotels (Incentives) Act
- The Industrial Incentives Act
- The Industrial Incentives (Factory Construction) Act
- The Motion Picture Industry (Encouragement) Act
- The Petroleum Refining Industry (Encouragement) Act
- The Resort Cottages (Incentives) Act
- The Foreign Sales Corporation Act
- The International Finance Companies (Income Tax Relief) Act
- The Shipping (Incentives) Act
- The Cement Industry (Encouragement and Control) Act



“It has long been recognised that an important part of securing growth will require tax reform... a critical component of this reform process has to encompass an overhaul of the existing tax incentives system.” *Former Minister of Finance and Planning, Dr. The Hon. Peter Phillips (2013)*

FISCAL INCENTIVES FOR THE PRODUCTIVE SECTOR

THE CUSTOMS TARIFF (REVISION) (AMENDMENT) RESOLUTION, 2013

The enactment of the Customs Tariff (Revision) (Amendment) Resolution, 2013 directly affects the operations of the Jamaica Customs Agency (JCA). The amendments were made to the First, Second and Third Schedules to the Customs Act.

The changes to the First Schedule are reflected in the current (revised) Customs Tariff. These changes resulted in either an increase or a decrease in the rates of import duty for some commodities. For example, the import duty for certain auto parts was reduced from 40% to 30%, while the import duty for certain used tyres was increased from 0% to 5%.

The following sections of the Second and Third Schedules have been repealed effective January 1, 2014:

- **Second Schedule**- Items 14, 50, 51 and 56 of Part 1
- **Part 1 of the Third Schedule**- Items 1 to 32 and 37 to 40
- **Part 2 of the Third Schedule**- Items 3, 5, 6, 8, 12, 14, 28, 43 and 50
- **Part 3 of the Third Schedule**- Items 1.1, 3 to 7, 9, 11, 15, 18, 19 and 22 to 25

A major amendment to the Customs Tariff (Revision) (Amendment) Resolution, 2013 was the addition of *four new parts to the Third Schedule*. The new parts speak to Productive Inputs Relief (PIR) for select sectors, which accord duty-free status when importing certain commodities.

The *new parts of the Third Schedule* are as follows:

- **Part 5** relates to PIR for the Production of *Primary Products and the Manufacture of Goods*. Production of Primary Products includes farming, apiculture, forestry, horticulture and aquaculture operations.
- **Part 6** relates to PIR for the *Tourism Industry*. The benefits pertain to hotels, resort cottages and tourism attractions.
- **Part 7** relates to PIR for the *Creative Industries*. Creative Industries refer to motion picture production, sound recording production and musical performance.
- **Part 8** relates to PIR for the *Healthcare Sector*.

IMPORTATION USING PRODUCTIVE INPUTS RELIEF



Firstly, individuals and companies must qualify for PIR in order to access benefits upon importation of items under the respective Part (5, 6, 7, or 8). Subsequently, in using the Automated System for Customs Data (ASYCUDA) platform, the Customs Procedure Code (CPC) Guide must be referenced. The CPC Guide provides a detailed list of items and categories of items which are eligible to receive concessionary benefits and their related Additional National Codes (ANCs). An ANC is a three-character alpha-numeric code which reflects the concession to be received on the various duty types, such as Import Duty (ID), Standard Compliance Fee (SCF) and General Consumption Tax (GCT).

FISCAL INCENTIVES FOR THE PRODUCTIVE SECTOR

PRODUCTIVE INPUTS RELIEF APPLICATION PROCESS (OVERVIEW)

An individual or entity seeking to benefit from Productive Inputs Relief (PIR) must first apply to the respective regulating Ministry for status as a bona fide ‘producer’ as indicated in the table below:

BENEFIT	GOVERNMENT MINISTRY
Productive Inputs Relief for the Production of Primary Products and the Manufacture of Goods	Ministry of Industry, Commerce, Agriculture and Fisheries (MICAFA)
Productive Inputs Relief for the Tourism Industry	The Ministry of Tourism
Productive Inputs Relief for Creative Industries	The Ministry of Tourism
Productive Inputs Relief for the Healthcare Sector	The Ministry of Health



The regulating Ministry would then submit a formal document to the Jamaica Customs Agency (JCA) indicating the applicant’s approval. The JCA, in processing imports by the applicant on the ASYCUDA platform, will verify that the applicant’s approval has been granted by the regulating Ministry. However, the verification of approval is necessary only if the applicant is requesting access to the PIR benefit.

Manufacturers, however, are required to apply to the MICAFA, which will forward their applications to the JCA. The Incentives Unit of the JCA, will then conduct joint verification visits with the MICAFA, upon receiving its recommendations in order to determine whether the goods to be produced by the manufacturers should qualify for the PIR.

ROLES AND RESPONSIBILITIES OF THE JAMAICA CUSTOMS AGENCY

As aforementioned, the JCA’s operations has been directly affected by the enactment of the Customs Tariff (Revision) (Amendment) Resolution, 2013. Therefore, it is incumbent upon the Agency to implement measures to ensure that beneficiaries are compliant with the Customs laws and Regulations. These measures are enforced through pre-clearance and post-clearance functions, primarily through the Incentives Unit, Post Clearance Audit Unit, Returning Residents Unit, Risk Management Unit and Entry Processing Unit.

The following are major roles and responsibilities of the Agency in the application of the PIRs:

- To ensure that enterprises or persons applying for or receiving incentives qualify to receive the specific incentives
- To audit the beneficiaries to ensure that the goods imported under the provisions of the incentive are used for the purpose intended
- To ensure that the concessionary benefits applied to goods imported by the enterprise are those to which the incentives can apply. E.g. raw material, intermediate goods and packaging.
- To perform agency functions for other ministries and departments, e.g. TAJ (GCT), Bureau of Standards, MICAFA, Ministry of Health, and Ministry of Tourism
- To inform, educate and assist our stakeholders

TRADE BEAT



INTERNATIONAL & INDUSTRY LIAISON UNIT



The International and Industry Liaison Unit is committed to raising the level of awareness on topics relating to the Caribbean Community, as well as issues concerning the wider topic of international trade, to both our internal and external stakeholders. Our monthly newsletter seeks to highlight global and local trade topics, their importance to Customs Administrations worldwide and, specifically, how they affect the Jamaica Customs Agency.

As we realize our vision of becoming a modern Customs administration delivering excellent service, we recognize the importance of knowledge transfer in delivering our objectives and use this forum as our way of contributing to the vision of the JCA. The officers of the International Liaison Unit are available to respond to your queries and clarify any points of concern.

**Location: Myers' Wharf,
Newport East,
Kingston 15**

**Phone: (876) 922-5140-8
ext. 3028/3182**

Prepared by: Alicia Solomon
CARICOM Officer (Actg.)
Email: international.liason@jacustoms.gov.jm

We're on the Web!
<http://www.jacustoms.gov.jm>



Country Above Self