



Jamaica

Introduction

A person's liability for Jamaican income tax is determined by residence status for taxation purposes and the source of income derived by the individual. Residents are assessed for income tax at progressive rates above a certain limit on an individual's taxable income for the year, which is calculated by subtracting allowable deductions from the total assessable income. Nonresidents are assessed for income tax at a flat rate. The government indicated that the income tax rates for resident individuals would return to a flat rate of 25 percent by the start of the new fiscal year on April 1, 2011.

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Key messages

Extended business travelers are likely to be taxed on employment income relating to their Jamaican workdays. Extended business travelers who are present on the island for over 90 days may be taxed, however, on the income earned in relation to work performed in a location other than Jamaica.

Income tax

Liability for income tax

A person's liability for Jamaican income tax is determined by residence status and whether the individual earns Jamaican-sourced income. A person can be a resident or a nonresident for Jamaican tax purposes.

An individual is regarded as being resident in Jamaica in a tax year if the individual meets any of the following criteria:

- The individual remains in Jamaica for a period totaling at least six months in the tax year, including multiple visits to Jamaica with the intention to reside permanently
- The individual has a place of abode in Jamaica and has come to Jamaica during the tax year
- The individual has visited the island for the preceding four consecutive years and stayed an average of three months in each year.

A nonresident of Jamaica is generally someone who spends less than six months in Jamaica. The general rule is that a person who is a resident of Jamaica is assessable on the individual's worldwide income. Nonresidents and temporary residents are generally assessable on income derived directly or indirectly from sources in Jamaica. Extended business travelers are likely to be considered nonresidents of Jamaica for tax purposes unless they enter Jamaica with the intention to remain in Jamaica for more than six months.

Definition of source

Employment income is generally treated as Jamaican-sourced compensation when the individual is physically located in Jamaica for 90 days or more and the employment income relates to work performed on the island or elsewhere in relation to the island.

Tax trigger points

Under local law, an extended business traveler who is in Jamaica for less than 90 days is exempt from income tax on the traveler's foreign-sourced employment income if it is not received in Jamaica. The person would not be required to file an income tax return unless the Commissioner of Taxpayer Audit and Assessment requests that the individual do so.

Types of taxable income

For extended business travelers, the types of income that are generally taxed are employment income and Jamaican-sourced income.

Tax rates

For 2010 residents, the following progressive tax rates apply to taxable income above 441,168 Jamaican dollars (JMD):

Taxable Income	Tax rate
JMD 441,169–JMD 5,000,000	25 percent
JMD 5,000,001–JMD 10,000,000	27.5 percent
JMD 10,000,001 and above	35 percent

Income below the floor amount is not taxable. Nonresidents are subject to a 25 percent rate on total taxable income. Nonresident individuals do not benefit from the tax-free threshold of JMD 441,169.

Social security

Liability for social security

Employers are required to deduct and account for contributions to the National Insurance Scheme (NIS), National Housing Trust (NHT), and Education Tax (Ed Tax) from the salaries of employees.

Under the National Insurance Act, employers are required to deduct amounts from the employee's salary at a rate of 2.5 percent on emoluments not exceeding JMD 500,000 per year, while also paying the employer's contribution of the equivalent amount. The government announced that the NIS wage ceiling increased to JMD 1,000,000 from August 2, 2010; however, the gazette giving effect to the increase has not yet been published.

Persons not required to make contributions under the National Insurance Act can apply for the status of voluntary contributors. This status must be granted by application to the Minister of Labour and Social Security.

The NHT is applied at a rate of 2 percent for employees' contributions and 3 percent for employers' contributions. These rates are applied to the gross taxable emoluments of employees as defined in the Income Tax Act.

The Ed Tax is applied on gross taxable emoluments, less NIS, at a rate of 2 percent for employees and 3 percent for employers.

Self-employed persons are also required to make payments under the provisions of these Acts.

Employee and employer contribution rates are summarized in the following table:

Type of insurance	Paid by		Total percent
	Employer percent	Employee percent	
National Insurance Scheme (NB only applies to income up to JMD 500,000 (or JMD 1,000,000 see above) per year)	2.5	2.5	5.0
National Housing Trust	3.0	2.0	5.0
Education Tax	3.0	2.0	5.0

Source: KPMG in Jamaica, June 2010

Jamaica has entered into formal social security totalization agreements with approximately 16 countries. One agreement covers 14 CARICOM (Caribbean Community and Common Market) countries (although the agreement is not yet in force with three of those countries). The other agreements are with Canada and the United Kingdom. The agreements prevent double taxation and allow cooperation between the Jamaican and overseas tax authorities in enforcing their respective tax laws.

Compliance obligations

Employee compliance obligations

Tax returns are due by March 15 following the tax year-end, which is December 31. Extensions are granted at the sole discretion of the Commissioner of Taxpayer Audit and Assessment. A return may not be required if a taxpayer's sole source of income is wages that were subject to withholding.

Employer reporting and withholding requirements

Withholdings from employment income are covered under the Pay-As-You-Earn (PAYE) system. If an individual is taxable on employment income, the payer has a PAYE withholding requirement.

Other

Work permit/visa requirements

Jamaica does not have a specific business visa process. Entry requirements will vary by country of citizenship. Citizens of the United States, United Kingdom, and Canada may be able to enter the country on certain sales and marketing business travel for up to 30 days with a valid passport. All other citizens and business travelers should consult with the Jamaican embassies in their countries to understand specific entry requirements.

Foreign nationals must obtain a work permit to engage in gainful employment in Jamaica. Certain persons may qualify for exemption from the work permit requirement if they will not be in the island for more than 14 days. Such persons include directors of a Jamaican company or of a company that controls a Jamaican company and persons providing technical advice on the operations of a business in Jamaica. The qualified persons should apply to the Ministry of Labour and Social Security for the relevant work permit exemption approval.

Double taxation treaties

In addition to Jamaica's domestic arrangements that provide relief from international double taxation, Jamaica has entered into double taxation treaties with more than 22 countries to prevent double taxation and allow cooperation between Jamaica and overseas tax authorities in enforcing their respective tax laws.

Permanent establishment implications

There is the potential that a permanent establishment could be created as a result of extended business travel, but this would depend on the type of services performed and the level of authority the employee has.

Indirect taxes

General consumption tax (GCT) is applicable at 17.5 percent on taxable supplies. GCT registration may be required in some circumstances, especially when annual turnover exceeds JMD 3 million.

Transfer pricing

Jamaica does not have specific transfer pricing rules. Rather, specific anti-avoidance provisions carry out a similar function, in that, where the consideration for a service rendered by a connected party is substantially different from that obtainable at market rates, the Commissioner of Taxpayer Audit and Assessment may impute a consideration equivalent to the market rate and assess the parties accordingly.

Local data privacy requirements

Jamaica has limited data privacy laws, the most recent enactment being in relation to electronic transactions in commercial arrangements.

Exchange control

Jamaica does not restrict the flow of Jamaican or foreign currency into or out of the country.

Nondeductible costs for assignees

Nondeductible costs for assignees include contributions by an employer to nonapproved pension funds.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

The material contained within draws on the experience of KPMG tax personnel and their knowledge of local tax law in each of the countries covered. While every effort has been made to provide information current at the date of publication, tax laws around the world change constantly. Accordingly, the material should be viewed only as a general guide and not be relied on without consulting your local KPMG tax adviser for the specific application of a country's tax rules to your own situation.

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