

JAMAICA

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CORPORATE INCOME TAX	
Companies	25% and 33.33% for regulated entities (i.e. connected to the public administration)
Building societies	30%
OTHER TAXES	
Personal income tax	25% up to JA\$ 6 million; 30% on the excess
Capital gains tax	Not applied
Property tax	Calculated on the value of the land
General consumption tax (VAT)	15%
Withholding taxes	On interest and dividends up to 33.33%
INCORPORATION TIMES	2-5 days for <i>shelf companies</i> through attorney-at-law; 2 weeks (fast track: 2-4 days)
INCORPORATION COSTS	JA\$ 24,500 + JA\$ 3,000 (search of the name and registration fee) + optional JA\$ 3,000 (fast track - 1 day) + optional JA\$ 6,000 (fast track – same day) + JA\$ 94,700 attorney-at-law
FISCAL YEAR	1st January-31st December
FILING OF TAX RETURN	15 March of the following year
ADVANCE RULINGS	Applied
BANKING SECRET	Applied but not in case of suspected money laundering
EXCHANGE CONTROLS	Liberal
LEGAL SYSTEM	<i>Common Law</i>
TAX TREATY	Canada, Caribbean Community, China, Denmark, France, Germany, Israel, Japan, Mexico, Norway, Spain, Sweden, Switzerland, United Kingdom, United States

1- GENERAL INFORMATION

Jamaica is an island of approximately 10,990 sq km and is situated in the Caribbean Sea. It is the third largest of the Caribbean Islands and its location offers easy access to Central, South and North America and to Europe.

Since August 1962, Jamaica is a former colony of the United Kingdom of Great Britain and it has a parliamentary democracy based on the UK model and the Queen of the United Kingdom is the Queen of Jamaica. She is represented by a Governor-General who is appointed on the advice of the Prime Minister.

I- Currency

The currency used is the Jamaican dollar (Ja\$) subdivided into 100 cents. The rate of exchange of the Jamaican dollar is determined by the US dollar.

II- Economic policy

The Jamaican Government welcomes foreign investments, in particular those which will facilitate foreign exchange earnings and savings, significant employment of labour, the use of local raw materials and joint ventures.

Jamaica Trade Invest (JTI) has been established by the Jamaican Government to assist in the establishment of business enterprises in Jamaica.

Jamaica's Foreign Nationals and Commonwealth Citizens (Employment) Act provides that no foreign national or Commonwealth citizen shall engage in any occupation in Jamaica unless they hold a valid work permit. Work permits are granted for a maximum period of 5 years, but may be renewed.

III- Exchange controls

The Bank of Jamaica, which is the central bank of the country, manages the country's monetary affairs, keeps and administers the external reserves of Jamaica, subject to directives from the Ministry of Finance.

The Bank of Jamaica supervises and exercises control over commercial banks licensed under the Banking Act and other financial institutions in respect of interest rates, credit, liquid assets, reserves, foreign currency balances.

The Supervisor of Banks and Financial Institutions appointed under the Bank of Jamaica Act has significant powers in cases of the apprehended insolvency of any bank or financial institution.

The Financial Services Commission has as its purpose the protection of customers of financial services provided in connection with insurance and the acquisition or disposal of securities and units to a unit trust scheme.

The Commission's duties are to supervise and regulate institutions providing such services, to promote the adoption of procedures designed to control and manage risk and to promote the modernisation of financial services with a view to the adoption and maintenance of international standards of competence, efficiency and competitiveness.

Money laundering

Jamaica's Proceeds of Crime Act 2007 is a document for the prevention of money laundering, which provides that any financial transaction exceeding USD 15,000 - if carried out by financial institutions - or above USD 8,000 - if carried out by exchange bureaus or any other similar financial institutions - is to be reported to the competent authorities.

2- JAMAICA COMPANIES

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Limited liability company</i>	They can be both private (from 1 to 20 members) and public (minimum 1 member, without maximum limit).	Registration takes place by filling in forms that must refer to the articles of association, the memorandum, the amount of the nominal share capital.	They are governed by the Companies Act. Registration takes place by filling in forms to be delivered to the Registry.

I- Incorporation and registration

The most important form of business organisation in Jamaica is the limited liability company which is established under, and governed by, the Jamaican Companies Act. A new Companies Act, incorporating modern developments in company law, came into force on 1 February 2005. The type of organisation most widely used is the company having a share capital and conferring limited liability on its shareholders. Such companies may be either private companies with 1 to 20 members or public companies with a minimum of one member and no maximum limit. After formation, a public company cannot commence business until it has obtained certification from the Registrar of Companies that the value of the company's allotted share capital is not less than the authorised minimum (currently Ja\$500,000).

The Companies Act provides that the incorporation of a private company involves filing with the Registrar of Companies:

- articles of incorporation
- a statutory declaration of compliance with the requirements of the Companies Act
- notice of the registered office.

The Registrar of Companies, on being satisfied that the requirements of the Companies Act have been met, will issue a certificate of incorporation. From that date the company comes into existence.

A company registered overseas which establishes a place of business in Jamaica must, within one month, file with the Registrar of Companies:

- a certified copy of its charter, statutes or memorandum and articles of association or other constitutional instrument (these documents must be in English or there must be certified translations)
- a list of the directors of the company, showing their full names, residential addresses, nationalities and business occupations, and
- the names and addresses of one or more persons resident in Jamaica authorised to accept service of process and notices on behalf of the company.

II- Capital structure

There is no minimum or maximum share capital prescribed by law. Companies are registered with no par shares, ie shares which do not have a nominal value. The nominal capital may be increased or reduced in accordance with the provisions of the Companies Act.

A company's articles of incorporation states the amount and classes of shares, which the company may issue. Each different class of shares may have different voting rights and rights to participate in profits. A company is able to buy back its shares and to issue redeemable shares. Private and public companies must have at least one shareholder.

III- Management

Responsibility for the management of the company rests with the board of directors who are appointed by the shareholders.

There is no requirement that either local or overseas companies must have local directors.

IV- Accounting and audit requirements

Every company shall keep proper books of account in respect of:

- (1) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place
- (2) all sales and purchases of goods by the company
- (3) the assets and liabilities of the company.

Where the records are kept outside the island, then they must be sent to the island, at intervals not exceeding six months, to enable the directors to have prepared the company's balance sheet.

Companies are required to have their financial statements audited by independent persons recognised by the Public Accountancy Act as registered public accountants.

For income tax purposes, residence is determined on the principle that a company is resident where its central management and control are located. Where a company, registered outside Jamaica, carries on business or has an office or place of business in Jamaica, it is regarded as resident in Jamaica if its central management and control are located in Jamaica.

3- TAXATION SYSTEM

I- Taxation of resident companies

Companies which are resident in Jamaica for income tax purposes are liable to income tax on their taxable worldwide income. Companies which are not resident in Jamaica are liable to income tax on income from Jamaican sources only.

The income tax year referred to as the year of assessment runs from 1 January to 31 December. Persons (including bodies corporate) whose financial year terminates on some date other than 31 December will be allowed to use the financial statements ending in any income tax year as the basis of computing their income tax liability for that income tax year.

The income tax return for any year of assessment is generally required to be submitted electronically and is due for filing on 15 March of the following year and at that time payment of any balance of tax for that year of assessment is due. Estimated tax for the following year normally based on the previous year's income is payable in 4 equal instalments (15 March, 15 June, 15 September and 15 December).

Failure to file the returns may attract penalties. The Commissioner of Taxpayer Audit and Assessment is empowered to make estimated assessments in the absence of such returns.

Companies and other entities that are liable to pay income tax generally pay tax at a rate of 25%. Regulated entities – that is connected to the Public Administration - are taxed at a rate of 33⅓%.

Before 1 April 2019, a minimum business tax of Ja\$60,000 per year applied to companies, even where a loss had been made. This minimum business tax did not apply to charities, international organisations subject to Jamaica's Diplomatic Immunities and Privileges Act or any company in its first 2 years of incorporation.

Building societies pay tax at the rate of 30%.

Life assurance companies pay tax at more favourable rates.

Capital gains are generally not subject to taxation.

There is no tax for individuals or companies on dividend income derived from companies listed on the Jamaica Stock Exchange.

There is a withholding tax of 15% on dividends paid to residents. Dividends paid by companies listed on the Jamaica Stock Exchange to non-resident companies are not subject to withholding tax. Dividends paid by unlisted companies are subject to normal corporate income tax rates.

II- Taxation of non-resident companies

A company is considered non-resident if the control and central management do not take place in Jamaica and, consequently, the taxation is limited to the income produced in Jamaica only.

Foreign companies are usually considered to be resident in the State where they are managed; if they are operated in Jamaica, they will be subject to taxation on their global income (not just Jamaican sources). However, in this regard, it is possible to benefit from an exemption for taxes paid abroad or from the facilities provided by a tax treaty.

Particular exemptions are also granted in the case of Commonwealth income tax, depending on whether the company is resident in Jamaica or not.

Capital gains are not taxed.

III – Taxation of resident and non-resident individuals

An individual is considered resident if they reside in Jamaica for more than six months.

All individuals subject to the payment of income tax pay a fixed rate of 25% up to \$ 6 million and 30% on the excess.

Residents benefit from an annual tax-free deduction of Ja \$ 1,500,096.

Dividends received by an individual from companies listed on the Jamaican Stock Exchange are exempt from tax.

IV- Withholding tax

Jamaica's Income Tax Act makes provision for the deduction of tax, or a portion thereof, from certain interest payments, unit trust income payments and company distributions (dividends, certain payments to shareholders, holders of securities and principal members, and repatriation of profits of a body corporate to a person outside Jamaica) at rates of up to 33⅓% depending on the category of taxpayer (eg individual or company) and the nature of the taxable payment.

There is a withholding tax of 15% on dividends paid to residents. Dividends paid by companies listed on the Jamaica Stock Exchange to non-resident companies are not subject to withholding tax. Dividends paid by unlisted companies are subject to normal corporate income tax rates.

Tax is also to be deducted from payments to non-residents for royalties, annuities, other annual payments, rent, the provision of industrial or commercial information or advice, management, or technical services, etc.

These provisions are subject to variations, if any, in double taxation treaties.

V- Other taxes

The other taxes applied in Jamaica are as follows:

- property tax, calculated on the basis of the value of the land;
- customs duties, applied to imported goods;
- excise duties on locally manufactured products;
- consumption tax, corresponding to VAT, applied to goods and services at a rate of 15%;
- stamp duty, applied to certain types of documents;
- road traffic tax, applied to motor vehicle licenses;
- contractors levy, applied to construction, tillage and haulage operations
- guest accommodation room tax, applied to hotels and other holiday accommodation.

Employers, as well as workers, must pay contributions based on wages and wages, as established by the National Insurance Act, the National Housing Trust Act, the Educational Tax Act and the Human Employment and Resource Training Act.

VI- Incentives and grants

Tax incentives are provided by the Income Tax Act. An employment tax credit is available in respect of amounts paid in social security contributions up to a maximum of 30% of tax

liability. Any unused tax credits cannot be carried forward to future tax years. The tax credit is not available to certain entities, including regulated companies.

An income tax credit of Ja\$375,000 is available for companies with annual revenue not exceeding Ja\$500 million.

A company incorporated in the island, resident in the island, and engaged or proposing to engage in venture capital transactions in Jamaica may be granted approved venture capital status by the Minister of Finance for specified periods, thus entitling it to special income tax treatment. Venture capital transactions mean such investment activity (including loan financing) as would, in the Minister's opinion, by its influence on new or developing enterprises, be beneficial to the economic development of the island. Entitlement to the special tax treatment is subject to special conditions.

The special tax treatment may include:

- (1) deduction of any distribution made by the company in arriving at its chargeable income
- (2) relief from income tax for any year of assessment in which it made distributions of at least 90% of its chargeable income before deduction of the distributions, and
- (3) relief or partial relief from income tax in respect of dividends received by a non-resident shareholder who resides in a country with which Jamaica has a double taxation treaty.

The Fiscal Incentives (Miscellaneous Provisions) Act 2013 repealed incentives that were previously in place for approved enterprises engaged in specific activities, such as agriculture, export, factory construction, hotels, international finance, manufacturing, motion pictures, resort cottages and shipping. Approved enterprises under the previous legislation may generally choose to benefit from incentives granted under the Income Tax Act, or continue to benefit from the incentives granted under previous legislation.

Companies operating in a special economic zone in Jamaica benefit from incentives, including a reduced tax rate of 12.5%, an exemption from tax on dividends paid and received, and exemptions from property tax, customs duties, general consumption tax and stamp duty. Certain activities may not be performed in a special economic zone, including tourism, telecommunications, financial services, real estate, retail trade and the extraction of natural resources.

4- OFFSHORE COMPANIES

I- General information

There is no legal definition of an offshore company under Jamaican law.

Companies operating in Jamaica may be either local companies or overseas companies operating through a locally incorporated company or an office branch or agency.

An overseas company may also deal with persons in Jamaica through contractual arrangements for the supply of advice, services, information, finance, etc, or under licences for the use of trade marks, etc.

All income arising in Jamaica will be liable to income tax unless specifically exempt under fiscal incentives legislation or under a double taxation treaty.

A body corporate subject to Jamaican income tax is required to deduct tax whenever it makes a "distribution" (including dividends) to its corporate shareholders and pay over the tax so deducted to the Commissioner of Income Tax. If the body corporate is located on the Jamaican Stock Exchange, no tax is deductible from dividends paid. The normal corporate income tax rates apply where the body corporate is unlisted and where the distribution is not a dividend. The Commissioner may, however, authorise the company to pay a money distribution gross where the Commissioner is satisfied that the recipients are not liable to tax.

Distributions made by a non-resident company out of foreign income to a non-resident shareholder do not attract liability to Jamaican income tax. The distribution will be income to a resident shareholder (subject to a double taxation treaty).

II- Offshore finance companies

Under the International Finance Companies (Income Tax Relief) Act 1971, the Minister of Finance may grant a certificate to an international finance company, designating it an approved company, to carry out financial operations as:

- buying, selling, holding or managing securities
- accepting deposits, borrowing or lending money
- placing deposits
- issuing guarantees, letters of credit and acceptances
- underwriting, collecting and transmitting funds
- discounting
- foreign exchange dealings
- buying receivables
- leasing of property
- conducting trust business, and
- providing management consultant services.

This so-called “approved company” must satisfy the following requirements:

1. not less than 95% of the issued share capital and voting power are held and exercisable by persons not resident in Jamaica;
2. in a liquidation, persons resident in Jamaica would not be entitled to receive more than 5% of sums receivable for share or loan capital or of assets available for distribution after payment of creditors, and
3. persons resident in Jamaica would not receive more than 5% of:
 - the interest payable on its loans and loan capital
 - the dividends payable on its preference share capital, or
 - the dividends payable on its share capital.

An approved company in Jamaica is liable to pay income tax at the rate of 2,5% on the portion of its chargeable income which relates to its prescribed financial operations.

An approved company making a payment to a non-resident of Jamaica in respect of interest of money, royalty, annuity, or other annual payment, or rent accruing from property in Jamaica, or provision of industrial or commercial information or advice, etc, shall not be obliged to deduct tax.

The Income Tax Act also exempts interest paid to an “approved overseas organisation” by a local bank, or a company licensed under the Financial Institutions Act and approved by the Minister, for the purpose of the exemption, on sums made available by the overseas organisation to the bank or company by way of grant or loan.

III- Offshore licensing companies

There is no definition of licensing companies in the Income Tax Act. Licensing fees from trademarks, patents, secret processes, etc, royalties, rentals, industrial and commercial information and advice, and such payments arising in Jamaica are liable to income tax. Payments of such amounts to corporate non-residents are subject to withholding tax at the rate of 25%, subject to double taxation treaty exceptions

IV- Offshore trading companies

Profits of trading companies which arise in Jamaica are liable to income tax unless exempt under the appropriate incentives Act or varied by double taxation treaty.

V - Offshore administration/headquarter companies

From 6 November 2012, non-Jamaican officers of foreign companies with head offices in Jamaica are exempt from income tax subject to certain conditions, including that:

- approval is obtained from the Government
- the company is incorporated in Jamaica
- 30% of employees are Jamaican, and
- specified administrative functions, such as treasury, management and technical support are performed in Jamaica.

VI- Offshore shipping /air transport companies

The Income Tax Act contains special provisions for charging the gains or profits from shipping and air transport activities.

A shipowner or aircraft owner (including a charterer) who produces a certificate from the taxing authority in which the principal place of business is situated will be assessed on sums receivable in respect of fares and freight in the proportion that such sums bear to the total profits from the shipping or air transport business of the owner for the relevant accounting period.

The gains or profits arising from shipping or air transport carried on by a non-resident of Jamaica are exempt from income tax if a similar exemption is granted by the country in which such person is resident to persons in Jamaica or in the United Kingdom. For this purpose, a company is deemed to be resident in the country only in which the central management and control of its business are situated.

VII- Offshore real estate companies

There is no special income tax treatment for real estate companies. Consequently, such companies will be treated as any other company.

5- BILATERAL TAX AGREEMENTS

Jamaica has concluded tax treaties with a number of countries.

There are provisions in the treaties for the exchange between the contracting parties of information necessary for carrying out the treaties and for the prevention of fraud or tax evasion.

The following rates of withholding tax apply to non-resident entities:

	<i>Dividends</i>	<i>Interests</i>	<i>Royalties</i>
	<i>%</i>	<i>%</i>	<i>%</i>
<i>Non-treaty countries</i>	0/25/33.33	25	33.33
<i>Treaty countries</i>			
Canada	15/22.5	15	10
Caribbean Community	0	0/15	15
China	5	0/7.5	10
Denmark	10/15	0/12.5	10
France	10/15	0/10	10
Germany	10/15	0/10/12.5	10
Israel	15/22.5	0/15	10
Italy	5/10	0/10	10
Japan	5/10	0/10	2/10
Mexico	5/10	0/10	10
Norway	15	0/12.5	10
Spain	5/10	0/10	10

Sweden	10/22.5	0/12.5	10
Switzerland	10/15	0/10	10
United Kingdom	15/22.5	0/12.5	10
United States	10/15	0/12.5	10
Jamaica has signed the TIEAs with 8 jurisdictions, based on the OECD model convention.			