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PRIDE JAMAICA

SEMI-ANNUAL REPORT

October 2012 - March 2013

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TASK ORDER # 11

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LIST OF ABBREVIATIONS

AEO	Authorized Economic Operator
AID/W	Agency for International Development, Washington D.C.
BPR	Business Process Reengineering
CO	Compliance Officer
COR	Contracting Officer's Representative
CPC	Chief Parliamentary Counsel
EDI	Electronic Data Interchange
EU	European Union
GOJ	Government of Jamaica
HMF	Honorable Minister of Finance
ICT/IT	Information and Communication Technology/Information Technology
IDB	Inter-American Development Bank
IMF	International Monetary Fund
ITC	International Trade Corporation
KCT	Kingston Container Terminal
LTO	Large Taxpayer Office
MOU	Memorandum of Understanding
MoFP	Ministry of Finance and Planning
MP	Modernisation Plan (Jamaica Customs)
MIP	Modernization Implementation Plan
OPM	Office of the Prime Minister
PMEP	Performance Monitoring and Evaluation Plan
PPP	Public Private Partnership
PSED	Public Sector Establishment Division
PSMD	Public Sector Modernization Division
RCO	Regional Contracting Officer
RFP	Request for Proposal
RMS	Risk Management System
RMU	Risk Management Unit
SAJ	Shipping Association of Jamaica

SEMCAR	Supporting Economic Management in the Caribbean
TAJ	Tax Administration Jamaica
TCSP	Trade Community System Partnership
TOR	Terms of Reference
TRN	Taxpayer Registration Number
UNODC	United Nations Office on Drugs and Crime
USAID/Jamaica	United States Agency for International Development/Jamaica Mission
WCO	World Customs Organization

EXECUTIVE SUMMARY

Promote, Renew, Invigorate, Develop, Energize (PRIDE) Jamaica completed the first six months of its fourth project year with a vigorous range of implementation activities in the key areas of tax administration reform and customs reform.[1] Working with counterparts and stakeholders in the public and private sectors and other donors, PRIDE Jamaica leveraged resources to maximize project impact to achieve results. This is demonstrated, in part, by approximately **US$500,000** counterparts contributed toward project implementation during this semi-annual reporting period, as included in Annex A. The updated Results Reporting Table (Annex B) from the Performance Monitoring and Evaluation Plan (PMEP) and Annex C, Results By Indicator, provide results against targets for this semi-annual reporting period. In addition to meeting or exceeding all of the targets in the PMEP, PRIDE Jamaica achieved important implementation benchmarks in the core program areas by building upon the strong foundation it established during the previous program years. PRIDE Jamaica is now working only on tax administration reform and customs reform components, and is currently planning to complete project implementation in August 2013.[2] PRIDE Jamaica continues to work collaboratively with stakeholders to aggressively achieve results.

Tax administration reform continued to be USAID/Jamaica's highest priority for PRIDE Jamaica's implementation program. Working with colleagues in Tax Administration Jamaica (TAJ), PRIDE Jamaica and TAJ focused on improving compliance and mobilizing revenue collection. One of the key, ongoing legislative items has been TAJ's progress toward achieving status as a semi-autonomous revenue authority (SARA). This effort began in 2010, when the IMF established April 1, 2012 as the date by which Jamaica should enact legislation to establish TAJ as a SARA. During October Cabinet approved a Cabinet submission outlining the purpose of SARA and the legislative changes that were required. The Honorable Minister of Finance demonstrated his strong support for proceeding with the SARA initiative, and in March Parliament passed an act to establish TAJ as a semi-autonomous revenue authority. This is a major milestone in TAJ's reform program activities and should strengthen TAJ's operational capabilities, especially in accountability and performance. TAJ expects that it will require until April 2014 to fully implement the key aspects of a semi-autonomous revenue authority.

During March Parliament passed new legislation which will empower TAJ to determine when a tax debt is uncollectible and enable TAJ to write off any of this debt at any point in time. This new legislation will enable TAJ to clear out a backlog of more than 25,000 arrears cases, and

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[1] PRIDE Jamaica's field implementation began at the end of March 2010. In order to align the project year with the US Government fiscal year, USAID/Jamaica requested that Year 1 include the 6.5 month period March through September, 2010. Year 2 includes the period October 1, 2010 through September 30, 2011. Year 3 includes the period October 1, 2011 through September 30, 2012. Year 4 commenced on October 1, 2012.

[2] In June 2011 USAID/Jamaica advised CARANA Corporation of substantial reductions in funding. At that time PRIDE Jamaica prepared for project close-out in September 2012, one year earlier than the original task order date. In April 2012 USAID/Jamaica advised CARANA that it would obligate additional funds to enable the project to operate through August 2013, with a reduced program scope focusing only on tax administration reform and customs reform.

also allow TAJ to remove more than 70% of the current value of arrears cases from its active inventory that are deemed uncollectible. PRIDE Jamaica's work over the last two years provided the framework for TAJ to develop the official 'Debt Write-off Policy', and established the prioritization of arrears cases for collection. This legislation will have a positive impact on establishing realistic collection targets for TAJ and begin to provide much clearer projections of the revenue that Government can expect to receive from this source.

In the area of tax operations, PRIDE Jamaica continued to work with TAJ across a wide range of operational areas. With a substantial backlog of tax arrears cases on its ledgers, TAJ continued to prioritize these cases for collection and, to improve case closure, applied the new treatments for High and Medium cases previously developed with PRIDE Jamaica. During this period PRIDE Jamaica and TAJ developed an extensive training program to improve Compliance Officers' collection skills to reduce the arrears backlog and improve revenue collection. TAJ also established a working group from various TAJ functions to complete the Tax Arrears Management Standard Operating Procedures (SOP) Manual. This was a major, outstanding recommendation previously made by PRIDE Jamaica. The draft SOP Manual should be completed within the next two months. These approaches will enable TAJ to focus its resources on those cases which are 'High' priority and the most collectible, supporting TAJ's objective to close cases and reduce the inventory of arrears cases in a cost effective manner. **TAJ collected over US$17 million from 'High' and 'Medium' priority arrears cases between October 2012 and March 2013.**

PRIDE Jamaica continued support to TAJ to improve tax compliance by implementing risk based assessments to select cases for audit. PRIDE Jamaica previously worked with TAJ to design and implement a risk management framework to score taxpayer returns and identify those taxpayers most at risk for non-compliance. The new annual audit plan format developed by PRIDE Jamaica integrates the classes that were established for the risk formulas, and the new system is in place and functioning. During January PRIDE Jamaica worked with TAJ to develop the next Annual Audit Plan. The plan is designed to guide audit work toward a balanced approach, using the rating criteria with a focus on the larger corporate returns that have greater tax liability and higher potential audit assessments, mobilizing revenue collection. TAJ is working to increase the number of auditors at the Large Taxpayer Office (LTO), and to provide additional training to improve the quantity and quality of audits TAJ conducts.

PRIDE Jamaica continued its work with the Forensic Data-mining and Intelligence Unit (FDIU) and Tax Arrears Management Unit to improve overall compliance with tax return filing and payment requirements. PRIDE Jamaica developed model program guidelines and reporting requirements for working these compliance program leads by Compliance Officers in the RSC's, and, with TAM, also developed a new performance at a glance report to easily track the status and results of compliance programs as these are implemented in the upcoming fiscal year.

Since December 2011, PRIDE Jamaica has been working closely with the Large Taxpayer Office (LTO) to strengthen LTO's capabilities to improve taxpayer compliance. During the course of work in the telecommunications sector, TAJ recognized the need to reconfirm the requirement for telecoms firms to pay the General Consumption Tax (GCT) on the face value of prepaid time sold through all distribution channels. The Minister of Finance announced changes to the GCT Act in February to increase compliance, ensuring that GCT collected by non-registered taxpayers is accounted for by the telecommunications providers. **This measure, implemented on March 1st, is expected to yield just over US$2 million in the next year.**

The Ministry of Finance satisfied the conditions precedent to enable disbursement of IDB loan funds to support tax and customs reform.[3] This is a major milestone that resulted from almost 3 years of work by TAJ and PRIDE Jamaica. This effort began in June 2010, when PRIDE Jamaica supported TAJ to prepare a complete costing of the tax administration reform program, against which the IDB developed the tax and customs loan program. In February, TAJ and Jamaica Customs Department (JCD) received approval from the IDB to publish the procurement notices for their new IT and Risk Management systems, respectively. Support from PRIDE Jamaica to TAJ to reach this milestone included re-engineering TAJ's core business processes and preparing the Request for Proposal. PRIDE Jamaica reviewed Jamaica Customs' risk management framework and also worked with Jamaica Customs to prepare the Request for Proposal to procure the new systems. These new IT systems will greatly strengthen improved operations, facilitate voluntary taxpayer compliance, improve revenue collection, and reduce risk.

PRIDE Jamaica's Petroleum Monitoring activity provided standardized guidelines for measuring petroleum and petroleum products imports, along with outlining general observations and interim recommendations for Petroleum Management activities on oil imports, bunkering and back-loading activities in Jamaica. These details were submitted in a report "To Support the Development of Petroleum Imports Surveying at Jamaica Customs Department" in January 2013, with a view to identify and control gaps that exist, and ultimately to establish a Petroleum Monitoring Unit within Jamaica Customs. PRIDE Jamaica provided two technical training courses to Jamaica Customs Department Officers to conduct surveys of bulk petroleum products offloaded and loaded at Jamaica's ports. This will enable JCD to accurately and efficiently verify the types and volumes of bulk products offloaded and allow JCD to assess the appropriate revenues due and payable on the petroleum imports. This will support revenue mobilization, improve transparency, and reduce corruption.

Utilizing new measures developed by PRIDE Jamaica to assist with accounting for all petroleum products, JCD has identified un-accounted product. **JCD implemented management processes that recovered the first US$10.75 million of a total US$51.61 million of outstanding customs revenue due within the petroleum sector.**

In support of Jamaica Customs' Authorized Economic Operator (AEO) program, PRIDE Jamaica completed a review of AEO program operations, and developed a Draft Compliance Strategy which Jamaica Customs is incorporating into the updated operations of the AEO program. These operational changes, supported by training by PRIDE Jamaica, will result in a significant reduction in the time and cost to import and export goods. The traders' compliance program will complement JCD's compliance strategy and in so doing, limit the propensity for corruption by applying standards and practices that increase transparency and predictability.

Based on PRIDE Jamaica's prior work with Jamaica Customs on valuation processes, **Jamaica Customs collected an additional US$1.7 million** between September and December 2012 for cargo that was under-invoiced by importers.

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[3] Jamaica Customs, the Central Treasury Management System and Debt Management Unit are also expected to receive funding under the IDB loan, for a total loan of US$62 million.

During this reporting period, the Ministry of Finance named a new Financial Secretary and a new Acting Commissioner General for Tax Administration Jamaica. PRIDE Jamaica continues to work with its stakeholders to implement project activities.

The Government of Jamaica is continuing its negotiations with the IMF in order to conclude a Standby Agreement. The Government is completing a number of prior conditions, two of which include passing of the SARA legislation and the Debt Write-Off Policy. A major aspect of the new agreement will require substantial reform within tax administration and customs. The outcome is likely to have an impact on the pace of tax administration reform and customs reform, and PRIDE Jamaica will support these efforts.

PRIDE Jamaica continued to incorporate a strong partnership approach with all of its implementation partners to achieve results. This approach has led to very close working relationships with stakeholders. It provides access to decision makers, enables open and ongoing communication with counterparts, and supports real ownership by partners of the assistance that PRIDE Jamaica offers. With resources focused on tax administration and customs reform, PRIDE Jamaica will continue to vigorously assess expected future results to ensure that implementation activities maximize impact through the remainder of the program's tenure.

KEY ACTIVITIES

1.1 TECHNICAL

1.1.1 COMPONENT 1: TAX POLICY AND ADMINISTRATION

Project Management

PRIDE Jamaica continued to work closely with TAJ to implement reform program activities and support efforts to meet IMF and IDB timeframes for tax administration reform. This is becoming increasingly important as the Government of Jamaica (GOJ) strives to complete prior actions that are required to conclude an agreement with the IMF. Discretionary waivers are an ongoing policy discussion item for international development partners. In addition to statutory incentives, Jamaica's tax legislation provides far-reaching discretionary authorities to a Minister of Finance to waive taxpayer assessments. Discretionary waivers are requested for a variety of taxes, including income tax, GCT, and import duty, among others, and are granted at the discretion of the Minister of Finance. Some waiver requests are submitted through the Ministry of Finance Tax Policy Division, and some requests are made directly to the Minister of Finance.

Arising from an IMF visit in October 2011, and referenced in recent discussions between the GOJ and the IMF and the IDB, PRIDE Jamaica has been participating on an inter-agency working group established to develop a transparent, automated waiver process. The intention is that all requests for tax relief – statutory and discretionary - will be initiated through an automated process, with discretionary waivers being reviewed and evaluated against a clear set of criteria by an appointed public-private sector committee. In the last year, the Ministry of Finance and TAJ began work to automate the waiver process, initially focusing on aspects of the statutory 20% tax relief on motor vehicles offered to specified categories of public sector employees. This initial phase of automation will enable the Ministry of Finance Tax Policy Division to begin a process to transfer administrative responsibility for this employee benefit to human resource units at individual ministries. This 'pilot phase' will support a phased roll out whereby system issues can be resolved prior to wider implementation. This first automation should reduce the time to process this type of tax relief by the Tax Relief Unit and improve accountability. The working group finalized the costing for the automation, which was approved by the Financial Secretary. The working group expects the pilot phase will be operational by July 1, 2013.

In November the IDB completed a study to review the full range of Jamaica's existing statutory waivers and incentives, and their impact on revenue. Based on this work, the Minister of Finance established a public-private committee to develop a comprehensive incentives framework that the country can utilize to support economic growth. The omnibus incentives legislation is expected to be in place before the end of the calendar year. This effort will be further supported by new legislation establishing statutory tax relief for organizations designated as charities. In the current absence of this type of legislation, requests for tax relief from charitable organizations are considered as discretionary waivers. This new legislation, which is expected by mid-2013, along with the omnibus incentives legislation, will enable a more

transparent process to provide tax relief and should also strengthen the ability to measure the impact on revenue.

One of the key, ongoing legislative items is TAJ's progress toward achieving status as a semi-autonomous revenue authority (SARA). This effort began in 2010, when the IMF had established April 1, 2012 as the date by which Jamaica should enact legislation to establish TAJ as a SARA. During October Cabinet approved a Cabinet submission outlining the purpose of SARA and the legislative changes that were required. The Honorable Minister of Finance demonstrated his strong support for proceeding with the SARA initiative. In March Parliament passed an act to establish TAJ as a semi-autonomous revenue authority. During the Minister of Finance's presentation of the legislation in Parliament, members of the Opposition offered several recommendations proposed by the Institute of Chartered Accountants of Jamaica that would remove the potential for political influence over the hiring and firing of a Commissioner General. To accommodate these recommendations, Parliament recessed and the Standing Committee on Finance prepared and passed the necessary amendments to the bill. Parliament then reconvened and passed the legislation. This provides an excellent example of bi-partisan cooperation to achieve national objectives.

The move to SARA includes several benefits that should enable TAJ to improve operational performance, with expected improvements in service delivery and compliance. These benefits include:

- Defining required performance in an unambiguous and measurable way, for which targets are set out in the performance contract
- Delegating authority to any appropriate level of the organization
- Having the ability to improve the human resource compliment through quality recruitment from the labor market and competitive remuneration
- Providing for quicker response times in decision making and streamlining operations
- Allowing for greater scrutiny of annual, medium and long term business planning

PRIDE Jamaica worked with TAJ over the last two years to consider aspects of the legislative changes, reviewed multiple organization structures and supported TAJ to present its case to the public-private sector committee working on tax reform activities. This is a major milestone in TAJ's reform program activities. TAJ expects that it will require until April 2014 to fully implement the key aspects of a semi-autonomous revenue authority.

To prepare for its status as a SARA, TAJ has been working to prepare and submit job descriptions for positions in the new organization structure. The new positions need to be approved by the Cabinet Office and established by the Public Sector Establishment Division (PSED). With the new SARA legislation now approved, TAJ will finish preparing the job descriptions and have the positions established. TAJ will then be able to advertise the positions and hire personnel within its new organization structure. More than one hundred new job descriptions have been prepared, and there are approximately one hundred more job

descriptions to be completed. TAJ made further changes to its new organization structure in February and expects that it will complete all of the new job descriptions by May.

In June 2011 PRIDE Jamaica worked with TAJ to prepare a new draft Tax Administration Act. The Act would establish a single body of law that provides for common procedures, rights and remedies for certain tax related crimes and sanctions regardless of the type of tax at issue, and clarification of taxpayer rights. This broad-based, unified tax administration act would simplify and incorporate international best practices in tax administration and support operating effectiveness and efficiencies, while making it far easier for taxpayers to understand and comply, and tax administration officials to understand and apply more uniformly. TAJ had decided to seek passage of various pieces of the act, rather than seeking passage of the act in its entirety. TAJ's view is that this approach is more expeditious. PRIDE Jamaica has supported an approach that would propose the act in its entirety. TAJ has been developing aspects of the third party information clauses of the act, and has worked with relevant GOJ entities to prepare the required legislative changes. TAJ expects that the third party information legislation will be tabled in Parliament in June 2013.

During 2011 two IMF technical reviews noted TAJ's large open inventory, in number of cases and dollar value, of tax arrears cases, and the need to address these. At that time there were more than 75,000 taxpayer accounts in arrears, with almost half of these owing less than the equivalent of US$200. 84% of the arrears cases were more than three years old – considered 'extreme overage' from a tax administration perspective, and, as a result, very difficult to collect. PRIDE Jamaica began working with TAJ at the end of 2011 to address this very large inventory of tax arrears cases. This included working with TAJ to categorize the arrears by tax type, age, value and classification (principal, penalties, interest); developing a prioritization system to determine which arrears should be actively pursued; establishing different collection procedures based on whether the arrears were now classified as 'High' or 'Medium'; and, procedures to also classify arrears as 'Currently not collectible.' (Work with TAJ Operations in this area is covered below, in 'Operations.')

One of the important designations for arrears cases that PRIDE Jamaica and TAJ established during this process included 'Currently not collectible.' Establishing this category of arrears enabled TAJ to begin determining the value of tax arrears that should be removed from consideration for collection purposes. PRIDE Jamaica's work over the last two years provided the framework for TAJ to develop an official 'debt write off policy' that would remove these arrears cases, in addition to those below certain value thresholds, from its active inventory. PRIDE Jamaica provided input to the draft policy, including some practical operational steps to strengthen the processes.

During March Parliament passed new legislation which will empower TAJ 'to make a determination in keeping with modern tax administrative practices and modern business practices, to determine when a tax debt is uncollectible and to grant flexibility to the Tax administration authorities with respect to writing off any of this debt at any point in time' (Annex D). This new legislation will enable TAJ to clear out a backlog of more than 25,000 arrears cases, and also allow for more than 70% of the current value of arrears cases, which have been deemed uncollectible and represent primarily interest and penalties, to be removed from TAJ's active inventory. Substantial pieces of the Cabinet submission and the legislation incorporate information developed by PRIDE Jamaica. This legislation will have a positive impact on establishing realistic collection targets for TAJ and provide much clearer projections of the revenue that Government can expect to receive from this source. These realistic projections will also fulfill an important role in the Government's discussions with development partners. The

legislation also provides for regulations empowering the Minister in respect of providing for a tax arrears management system and for the ranking of the debt, which is based on all of PRIDE Jamaica's ongoing support to TAJ Operations.

Two leadership changes were announced during this semi-annual period reporting period. In October, TAJ named a new Acting Commissioner General, and in November the Ministry of Finance named a new Financial Secretary. Based on its existing relationships with the new leadership and the organizations, PRIDE Jamaica is able to continue working effectively with colleagues to advance activities in tax and customs reform.

Operations

PRIDE Jamaica participated in TAJ's Operations' annual strategic retreat in February. The retreat enabled the Deputy Commissioner General of Tax Operations to review with Senior General Managers, Revenue Service Centre Managers, and managers in Programmes and Planning TAJ's National Compliance Plan for the upcoming fiscal year. The plan outlines activities and results for Operation's units that will allow TAJ to meet its targets. The activities in arrears collection and audit are extracted from the annual plans for arrears collection and audit that PRIDE Jamaica recently developed with TAJ. The retreat also included a review of performance to date and key performance indicators for the upcoming fiscal year. There were discussions on a wide range of items that included, among others, the need to improve performance on taxpayer compliance programs, increasing use of e-services by taxpayers to file returns and make payments, and the need to enact the full version of the draft Tax Administration Act to strengthen taxpayer compliance. Arising from these discussions, PRIDE Jamaica began working with the Planning unit to integrate additional operations information into reports that will provide executive management and the Ministry of Finance and Planning a more comprehensive understanding of TAJ results.

February 2013 Annual Operations Retreat

Arising from a recommendation in the March and October 2011 IMF reports, TAJ is addressing the issue of the excessive backlog of outstanding tax arrears cases. Working with TAJ's Tax Arrears Management Unit and IT staff, PRIDE Jamaica previously developed a prioritization schema for these arrears cases. The output of the risk scoring system separated existing arrears cases into one of the three categories (High Priority, Medium Priority and Low Priority). PRIDE Jamaica then developed different processes and procedures for High Priority (HP) and Medium Priority (MP) casework. Working in a pilot office location, PRIDE Jamaica trained compliance officers on the new processes and tested the new treatments using a sample selection of HP and MP cases. TAJ has now implemented the new HP and MP processes at all of the TAJ Revenue Service Centres (RSCs).

TAJ is making a shift in reorienting its tax arrears operations to focus on the High Priority and Medium Priority tax arrears cases using the new processes and procedures. The shift is expected to result in securing a higher degree of timely tax compliance from taxpayers to meet filing and payment requirements. In addition to the new procedures, PRIDE Jamaica is working with the RSCs to improve the quality and timeliness of work by Compliance Officers to more effectively close tax arrears and tax return non-filing cases. This shift is supported by the Deputy Commissioner General of Operations. **TAJ collected more than US$17 million from High and Medium Priority arrears cases between October 2012 and March 2013.**

Part of PRIDE Jamaica's support includes re-emphasizing the critical importance of the RSC's to submit weekly and monthly HP and MP activity reports accurately and timely, and this remains an issue that needs to be resolved by the TAJ Programmes Unit. These reports provide strategic information to the Tax Arrears Management Programmes Unit and TAJ executive management. The Programmes Office issued additional instructions to all of the RSC General Managers and Tax Arrears Management managers regarding the new HP and MP programs and procedures that are to be implemented immediately.

During January PRIDE Jamaica worked with the Tax Arrears Management Programmes team to conduct a half-day meeting with managers and general managers from the Revenue Service Centres (RSC) and satellite offices. The meeting provided TAJ's Deputy Commissioner General (DCG) for Operations the opportunity to emphasize the importance of the RSC's submitting reports on a timely basis, with complete and accurate information. The DCG explained that the information is used to measure the performance of TAJ against annual targets, and is often used in discussions with international development partners to negotiate agreements. Programmes used the opportunity to review the key data and reporting formats that RSC arrears management staff should be using to report on outputs, and reiterated the importance of strong review by RSC managers of the information before reports are submitted. RSC Managers reiterated the need to strengthen the enforcement framework to bolster their efforts to implement activities to improve taxpayer compliance and revenue collection.

PRIDE Jamaica's review of arrears cases indicated that although there continues to be improvement in the quality of case work performed by Compliance Officers, improvement is still needed in the following areas:

- organizing the case file documents;
- using current forms and documents prescribed by the Tax Arrears Management Programmes Office;
- Compliance Officers documenting actions taken and establishment of specific dates for taxpayer responses;
- securing financial information and completion of the Collection Information Statement during taxpayer interviews of the taxpayer;
- identifying the business owners, managing directors, responsible officers and decision makers for payment of the tax arrears accounts and filing/payment of all required tax returns;
- timely follow-up by the Compliance Officers on cases where additional information and documents have been requested from the taxpayer;
- using appropriate arrears collection enforcement actions – including summonses and stop orders - when necessary to complete the collection of arrears cases on a timely basis;
- analyzing the financial and other information secured by Compliance Officers; and,
- conducting full compliance checks on all tax arrears cases, including documentation of the results in the case history record.

More complete documentation of the initial contact with the taxpayer entity is needed, including the demand for full payment of the arrears accounts and filing of any unfiled tax returns. Most case files did not include a complete list of outstanding arrears accounts to include tax types, tax periods, principal tax due, interest, penalties and surcharges (IPS) as of a specific date.

PRIDE Jamaica emphasized with TAJ Programmes and executive management the need to communicate with the Team Leaders and Compliance Officers management's expectation that compliance Officers must:

- Implement prompt initial contact in all assigned cases with the taxpayer entity, managing director or other responsible person.

- Demand full payment and/or filing of the delinquent tax returns upon initial contact, and properly document the case file history.

- Secure and document appropriate financial and other pertinent information in the case file history relating to the arrears case or compliance leads case.

- Clearly communicate and document in the case file history the specific timeframes and dates for actions required by the taxpayer entity.

- Inform the taxpayer entity of the enforced collection actions that could be taken if the actions required are not completed by the date(s) established; then, follow through with the enforcement if the taxpayer does not comply.

Team Leaders should also be instructed to conduct more periodic reviews of Compliance Officers' assigned cases or work in process to assure the above recommendations are promptly and properly addressed. PRIDE Jamaica prepared a draft format for team leaders to use during their review of cases (Annex E).

In order to standardize arrears management processes, TAJ established a working group from various TAJ functions to complete the Tax Arrears Management Standard Operating Procedures (SOP) Manual. This was a major outstanding recommendation made by PRIDE Jamaica. During the first meeting of this group, PRIDE Jamaica presented the basic arrears collection steps and the order in which they should be arranged in the SOP document. Also referenced during this presentation was the Tax Arrears Management Handbook which the group will use to develop the SOP Manual. There was also considerable discussion among the group about interview techniques and securing financial information using the Collection Information Statement (CIS). One member of the group vigorously supported the use of the CIS in the interview and arrears collection process, and provided examples of successful case work using this process. The draft SOP Manual should be completed within the next two months.

TAJ determined that there was a need to strengthen the skills of Team Leaders and Compliance Officers in several key areas to improve tax collections from these arrears cases. Arising from this need, PRIDE Jamaica worked with TAJ to develop a comprehensive, practical training program to strengthen skills of Team Leaders and Compliance Officers in order to improve collections. Topics include:

- Managing Compliance Officers Tax Arrears Inventory
- Gathering and analyzing taxpayer financial information
- Effectively assess a taxpayer's ability to pay tax arrears
- Compliance Officer interview skills and techniques
- Investigative techniques to locate taxpayers and/or their assets and income sources
- Negotiating payment arrangements (Arrangement Agreements)

- Conducting Full Compliance Checks
- Enforcement Actions for Tax Arrears Accounts

PRIDE Jamaica worked with the TAJ Tax Arrears Management Programmes Unit to identify and develop the above training topics and materials. PRIDE Jamaica reviewed all of the training materials and provided input to strengthen the presentations. TAJ and PRIDE Jamaica then conducted two training sessions during October and November for 52 Team Leaders who manage the High Priority and Medium Priority programs at the RSCs. TAJ and PRIDE Jamaica will conduct additional training for Team Leaders in the next quarter. Annex F provides an overview of the training conducted.

Team Leader training for Arrears Collection

To further support improvements in tax arrears collection, PRIDE Jamaica worked with the Tax Arrears Management unit in Programmes to prepare TAJ's FY2013-2014 Tax Arrears Management Annual Plan. To develop the new plan, PRIDE Jamaica and TAJ modified the framework of the current year's plan (developed last year with support from PRIDE Jamaica) to reflect current inventories, revised staffing allowances, and the "experience rates"[4] for projected

[4] Experience rates refer to the number of total hours required by a Compliance Officer to close a case.

closures. Data continues to be captured in the form of hours charged per case which will allow TAJ to adjust experience rates to reflect the actual situation of time required to close cases. Terms were updated to include 'compliance leads', instead of 'stop-filer language'. TAJ revised this to acknowledge that stop-filer is but one type of compliance lead. The new plan was further revised to allow for the detailing of hours and employees (lending staff time) from one RSC to another to support closing larger case inventories in some RSC locations. The Annual Plan assumptions are included as Annex G. The Tax Arrears Management unit presented the draft plan to the Deputy Commissioner General (DCG) Operations and reviewed the draft plan with each RSC during March, planning for the start of the new fiscal year on April 1st.

PRIDE Jamaica worked with Programmes staff to address issues with the RSC's pertaining to implementation of the current TAM Annual Plan. Issues exist with regard to accurate reporting of time spent by Compliance Officers (CO's) to work cases, and some of the RSC's have concerns about the current experience rates allocated to close cases. The RSC's believe that the current standards for field and office case closures are too low. Based on case files that were reviewed, the results indicate that the current standards are too high, meaning the cases can be closed, on average, in less time. PRIDE Jamaica suggested a two-phase process to validate the issue. First, the Programmes Office must establish standards for documentation that Compliance Officers should complete for each case. Second, managers of the CO's at the RSC's must establish clear expectations that CO's will adhere to these standards. During the first quarter of the next annual plan year, the Programmes Office will conduct reviews of closed cases to validate the time charges and verify the current "experience rates". If adjustments are warranted to the rates based on average time applied to cases, the plan can be adjusted.

PRIDE Jamaica continued support to TAJ to improve tax compliance by implementing risk based assessments to select cases for audit. PRIDE Jamaica previously completed work with the Forensic Data-mining and Intelligence Unit (FDIU) and the Audit Unit in Programmes to develop the audit risk framework selection criteria for Corporate Income Tax (CIT), General Consumption Tax (GCT) and Personal Income Tax (PIT) returns, and TAJ completed the programming of these risk framework protocols. The new annual audit plan format developed by PRIDE Jamaica integrates the classes that were established for the risk formulas, and was incorporated into the FY 2012/2013 Annual Audit Plan that TAJ began implementing on April 1, 2012, the start of the GOJ's fiscal year.

During October PRIDE Jamaica supported TAJ to assess the results of implementing the 2012/2013 Annual Audit Plan across the organization and review the reports TAJ is using to monitor the plan's results. The current plan goals include audits for various classes of returns which define the type of tax, and are disaggregated into segments by size. The new system is entirely in place and monthly reports are being sent by each RSC to the Audit Programmes unit. These reports need to be better analyzed and critiqued by the RSC managers and by the analysts at the Audit Programmes unit to correct errors and question variances. The overall year-to-date results show over achievement on completing audits of sole proprietor returns, and under achievement on completing corporate income tax returns, especially larger ones (not including the Large Taxpayer Office - LTO). TAJ is working to increase the number of auditors at LTO and the RSC's, and to provide additional training to improve the quantity and quality of audits TAJ conducts. The reports do provide useful parameters such as average audit time per return, average yield (assessed dollars) per return, and audit case years per taxpayer, for each class, among others.

The annual plan was designed to guide audit work toward a balanced approach, using the rating criteria with a focus on the larger corporate returns that have greater tax liability and higher

potential audit assessments. Thus far, this has not happened. Some of the reasons for not achieving the corporate return audit targets include difficulty in accessing some taxpayer files and staffing capabilities. PRIDE Jamaica is working with TAJ to proceed with corporate audits based on scored returns, even if only one year of returns can be audited. TAJ and PRIDE Jamaica met with RSC managers to establish more robust monitoring procedures to assure that RSC's and Audit Programmes identify problem areas and work toward resolving impediments.

The reports TAJ is now using to provide updated monthly information on implementation of the current year plan can provide useful parameters such as time and yield per return and audit case years per taxpayer, among others. Programmes is working with the RSC's to improve the accuracy and completeness of the monthly reports. Designing and programming a new, automated reporting system will take time. It is likely that TAJ's new IT system, when procured, will be able to provide these reports in a more efficient manner. In the interim, the manual reports must be complete and accurate.

During January PRIDE Jamaica worked with TAJ to develop the next Annual Audit Plan and provided the data elements (Annex H) that were needed from this year's reports to develop the next annual plan. During implementation of the current Annual Audit Plan, PRIDE Jamaica worked with TAJ to assess the implementation and results of a new reporting system PRIDE Jamaica and TAJ designed to track audit closed case results and to compare these results to the plans. This reporting system depends on accurate tracking of direct time on audit cases, which is necessary to determine the average time to be applied to different classes of case work. This report would ordinarily be used as a guide to build the new plan, but the quality of information in the reports required staff from Programmes to adjust the data based on best judgments in order to formulate a new annual plan that would be more realistic. TAJ completed the draft plan and presented this to the DCG Operations. Programmes shared the approved plan with the RSC's during February to prepare for implementation in early April.

Visits with the RSC's during February and March revealed that the staff years allocated for audits during the current fiscal year have changed, and will change further during the upcoming 2013-2014 fiscal year, as auditors are being reassigned to the LTO. RSC's also identified different approaches in reporting staff time worked, and this also has an impact on how audit resources are allocated and accounted for. The draft annual plan prepared in January, 2013 is being adjusted to account for the shift in the staff years and changes to some parameters to reflect RSC feedback. Audit Programmes will also develop updated and new time keeping instructions that are likely to be consistent with arrears management approaches in time keeping, and work with RSC's to insure the monthly time reports are prepared accurately.

PRIDE Jamaica continued its work with the Forensic Data-mining and Intelligence Unit (FDIU) and Tax Arrears Management Unit to improve overall compliance with tax return filing and payment requirements. FDIU gathers information from various sources to match against TAJ databases by identifying potential unregistered taxpayer entities, non-filers and stop-filers (those taxpayer entities that are registered and have stopped filing the required tax returns) to expand the taxpayer base. These potential compliance leads are then screened against additional TAJ information sources to determine if tax returns have been filed and paid as required, and to assess the overall degree of potential non-compliance. PRIDE Jamaica developed model program guidelines and reporting requirements for working these compliance program leads by Compliance Officers in the RSC's.

PRIDE Jamaica also reviewed the status of compliance leads cases from earlier taxpayer compliance improvement special programs that TAJ implemented. The findings revealed that the initial notice, Form 13, was issued, mailed or delivered on a timely basis to the taxpayer, and the dates were documented in the case history record. Subsequent actions by Compliance Officers for the compliance lead cases were not properly or completely documented, as required. Examples of cases reviewed included the following:

- "Contacted taxpayer," but there was little or no indication of what transpired.
- "Secured return," but there was no documentation of what tax returns were secured for what periods or what tax; whether interest and IPS were due; and, what arrangements were made for payment of the liability.
- "Unable to Locate" with no follow-up investigation to secure a better address.
- "Notice Delivered" and no other documentation referencing the taxpayer or person contacted, and therefore, unable to determine if the Compliance Officer demanded that the tax returns be filed for the periods of non-filing by a specific date.

TAJ also implemented a new compliance program to address improving compliance among the 'Professionals' segment of taxpayers that includes attorneys, accountants, doctors, architects and other professional occupations. There were approximately 1,800 potential leads that resulted from the FDIU information gathering and TAJ screening. To improve processes for this program, PRIDE Jamaica assisted TAJ to prepare and issue the Professionals Compliance Leads Program Memo and Guidelines to all the RSC's (Annex I). Based on PRIDE Jamaica's recommendation, TAJ began this compliance program using 3 RSC's as pilot offices to test both the quality of leads produced and the process for working these compliance leads. Beginning April 1, 2013, TAJ will be introducing mandatory filing for some groups of professionals, including doctors, lawyers and engineers, and phasing in this requirement over the next three years for all categories of professionals.

PRIDE Jamaica worked with TAJ to review the status and results of the compliance programs recently completed and currently in process. These include two 'Income Tax Stop-filers' programs and the 'Professionals Income Tax Non-filers' program. Results obtained thus far in the 'Stop-filers' program are not meeting the expectations anticipated when the program was instituted. For those returns that were secured and included a balance due, most did not pay the full balance at the time of filing. The unpaid tax balances will be assessed and a balance due notice to include the appropriate tax, interest, penalties and sanctions will be sent to the taxpayer entity.

PRIDE Jamaica also worked with FDIU and TAM to develop the FDIU/TAM Compliance Leads Work Plan for the upcoming fiscal year that begins April 1st (Annex J). The plan will include income tax non-filers and stop-filers, Pay As You Earn (PAYE) non-filers and stop-filers, in addition to under-reporters (who will be referred to the Audit function). FDIU data-mining activities will also use various internal and external databases to identify taxpayers in the following categories:

- New taxpayers;
- Taxpayers with additional registration obligations;
- Taxpayers with incorrect reporting and payment issues;

- High Profile / High Value taxpayers acquiring high-value properties, motor vehicles and other assets; and,
- Guest Accommodation Room Tax (GART) potential taxpayers.

PRIDE Jamaica proposed that TAJ utilize one, integrated FDIU/TAM work plan. This recommendation is based on the need to integrate two separate functions (FDIU and TAM), both of which are responsible for various aspects of the work plan. It is very important that FDIU and TAM have joint ownership for the activities, and this joint ownership is strengthened by having one, integrated work plan. The DCG Operations reviewed the proposed joint FDIU/TAM Compliance Leads Work Plan and confirmed that this is what TAJ requires to monitor the compliance program activities. PRIDE Jamaica explained that two Programmes Unit functions were involved in the compliance leads programs; and, developing, issuing, working and monitoring the programs is a joint effort. The Compliance Leads Work Plan visually separates the work plan columns into those which are primarily the responsibility of FDIU and those which are primarily the responsibility of TAM. PRIDE Jamaica and TAJ also developed a new performance at a glance report (Annex K) to easily track the status and results of compliance programs as these are implemented in the upcoming fiscal year.

PRIDE Jamaica has been working closely with the Large Taxpayer Office (LTO) since December 2011 to strengthen LTO's abilities to conduct audits in high priority sectors and improve taxpayer compliance. This activity was implemented after the IMF's in-depth review of TAJ operations. To further institutionalize capability transfer, TAJ established additional internal data storage and data review capabilities that are enabling it to conduct more of the technical review work. This is an important step toward supplementing the technical support PRIDE Jamaica is providing, and will also be important as the LTO undertakes taxpayer compliance improvement activities in a range of sectors.

As the review of information in the sector continued, PRIDE Jamaica recommended to TAJ that taxpayers within the telecommunications sector submit information in a revised format to enable a more substantive review of taxpayer returns. During the review of data, TAJ recognized the need to reconfirm the requirement for telecommunications firms to pay the General Consumption Tax (GCT) on the face value of prepaid time it sells, even to wholesalers. The Minister of Finance announced changes to the GCT Act in February to increase compliance, ensuring that GCT which may be collected by non-registered taxpayers is accounted for by the telecommunications providers. This measure, implemented on March 1st, is expected to yield just over US$2 million in the next year. Work on this activity also further confirms the need for TAJ to strengthen its assessment, collection and enforcement authorities as a means to improve taxpayer compliance.

Leveraging Assistance from Other Donors

The Ministry of Finance (MoF) satisfied the conditions precedent to enable disbursement of IDB loan funds to support tax and customs reform.[5] The MoF has established a coordinating group that is providing support and oversight to a project implementation unit (PIU) based at the MoF, and TAJ has a representative on the coordinating group. During January the IDB notified TAJ that it could proceed with the RFP to procure the new, computerized integrated tax system. This is a major milestone that resulted from almost 3 years of work by TAJ and PRIDE Jamaica. This effort began in June 2010, when PRIDE Jamaica supported TAJ to prepare a complete costing of the tax administration reform program. Subsequent support from PRIDE Jamaica to TAJ to reach this milestone included re-engineering TAJ's core business processes and preparing the RFP to procure the new system. In February TAJ and Jamaica Customs received approval from IDB to publish the procurement notices for their new IT and Risk Management systems, respectively (Annex L and Annex M). This is a major milestone for both organizations in their modernization and reform programs.

PRIDE Jamaica participated in a two day workshop with representatives from the Ministry of Finance, TAJ, Jamaica Customs, Planning Institute of Jamaica, the IDB and the IMF to discuss Jamaica's overall tax reform program. The workshop focused on updating action items and timeframes that were developed two years ago to support Jamaica's tax reform program, and to update the status of reform activities that are in process. The Ministry of Finance will be establishing an internal oversight committee to better integrate cross-cutting issues and resource requirements to strengthen implementation of the tax reform program among the component areas.

Further to the support provided by PRIDE Jamaica to the LTO, PRIDE Jamaica and the IMF solicited support from other donors to strengthen audit capabilities within LTO in high-priority sectors. Arising from these discussions, EU support to the LTO began in July. TAJ is reviewing the support being provided to determine if it wants to make any adjustments in the approach.

1.1.2 COMPONENT 2: LICENSING AND OTHER COMPETITIVENESS AREAS

The objective of Component 2 – Licensing and Other Competitiveness Areas, is to support the Government of Jamaica in its efforts to enhance the business environment by improving its regulatory efficiency utilizing legal and administrative reforms and facilitating the implementation of key solutions.

Jamaica Customs Department

In preparation for implementation of project activities for program Year 4, PRIDE Jamaica worked closely with colleagues at JCD to identify and prioritize those areas of customs reform that can be readily implemented and that will decidedly impact improved customs operations.

[5] Jamaica Customs, the Central Treasury Management System and Debt Management Unit are also expected to receive funding under the IDB loan, which is likely to total US$62 million.

To accomplish this, senior level consultations were conducted at JCD and agreement was reached on specific activities that are to be further supported by PRIDE Jamaica and which will be fully institutionalized within Customs operations. Specifically, it was agreed that work to implement operational integration of risk-based approaches at JCD will be treated as priority within the areas of monitoring Petroleum Imports and the Jamaica Customs Authorized Economic Operator (AEO) program.

Petroleum Monitoring

According to an October 2011 International Monetary Fund (IMF) document, the main products imported into Jamaica are petroleum, cigarettes, motor vehicles, alcohol and food, and they make up approximately 80 percent of revenue collections. Cost of collections represents only 0.02 Jamaican cents for every dollar collected, down from 0.03 cents in 2010, and well within international standards, which range from 2 to 5 percent.

The petroleum sector is not sufficiently monitored to ensure full compliance and protection of the revenue. Petroleum imports account for approximately 33 percent of import value and 30 percent of JCD revenue collections. Possible abuse in this sector may be resulting in significant under-reporting of imports with concomitant loss of revenue. The monitoring of the use of those imports brought in under special incentives (no duties on diesel used to produce Bauxite and/or Alumina) is also another area of concern regarding the loss of revenue. Fuel supplied to power companies should also be monitored in collaboration with Tax Administration of Jamaica (TAJ) to ensure that all volumes are accounted for thus no refund is processed for undelivered fuel.

PRIDE Jamaica provided technical training to Jamaica Customs Department Officers to conduct surveys of bulk petroleum products offloaded and loaded at Jamaica's ports. This will enable JCD to accurately and efficiently verify the types and volumes of bulk products offloaded and allow JCD to assess the appropriate revenues due and payable on the petroleum imports. PRIDE Jamaica's Petroleum Monitoring activity report provided standardized guidelines for measuring petroleum and petroleum products imports, along with outlining general observations and interim recommendations for Petroleum Management activities on oil imports, bunkering and back-loading activities in Jamaica, with a view to identify and control gaps that exist, and ultimately to establish a Petroleum Monitoring Unit within Jamaica Customs. This will support revenue mobilization, improved transparency, and reduced corruption.

During the conduct of this activity, Jamaica Customs also sought and obtained the requisite cooperation and partnership from Petrojam Refinery (Petrojam) to allow for the development of a more complete and successful training module. Petrojam facilitated access to petroleum tanks at the time that product was being either loaded or offloaded from vessels. Petrojam supplies 90% of Jamaica's fuel.

PRIDE Jamaica designed and delivered this additional training for staff working in Customs Operations (e.g. Sufferance Wharves and petroleum receipt and delivery points). The training is providing new approaches and updating participants' knowledge on measurement techniques for petroleum products, as well as concepts/philosophies of oil stocks control, loss identifications, receipt and delivery, and other parameters that have a direct impact on revenue. The training will enable participants to measure and interpret primary data as part of the overall oil accounting process. Site visits to Petrojam Refinery and class work demonstrations focused on the interpretation of primary data and corresponding calculations. Participants also received

instructions for recognizing those processes and parameters which will have an impact on the oil product accounting. This should also enable participants to initiate and/or support changes to improve the overall oil accounting performance and subsequently match revenue and imported volumes.

Customs Officers in training were also instructed on how to identify operational gaps under different operating circumstances. This module was conducted by site visits to NORANDA Bauxite mine in St. Ann's Bay, and the Oil Receipt Terminals in Montego Bay. A total of 16 participants from different Jamaica Customs stations were represented in training. The stations included Kingston (7 trainees); Montego Bay (2 trainees); St. Ann's Bay (3 trainees); Port Esquivel (2 trainees); and, Port Royal (2 trainees).

Jamaica Customs Officers on a break during Petroleum Measurements
Training with Petroleum Engineer and PRIDE Jamaica Consultant

Preliminary observations and recommendations included the following:

i. Centralize oil imports and coastwise data management at Kingston
ii. Deploy Customs Officers at Petrojam
iii. Deploy Customs Officers at NORANDA bauxite mining site to monitor diesel fuel consumption at the delivery points
iv. Conduct a review of fuel declaration documents
v. Monitor and reconcile all back-loading and bunkering fuel volumes within the island
vi. Engage taxpayers in view of enforcing the "21 days" provision for payment of taxes
vii. Initiate a process to audit ethanol imports into Petrojam
viii. Promptly commence collection of duties on ethanol
ix. Review with other stakeholders the continuation of import duty exemption on ethanol

PRIDE Jamaica has since developed Oil Measurements Flow Charts that are intended to enhance the learning experience and the understanding of Oil Accounting procedures by JCD Officers. The flow charts are included as Annex N to this report.

In March 2013, PRIDE Jamaica conducted the follow-on phase to this activity after JCD had the opportunity to implement additional recommendations which had been prepared by PRIDE Jamaica at the end of the first phase of training. Following an assessment of the progress demonstrated by JCD Officers, PRIDE Jamaica's further findings and additional recommendations, some of which have been fully implemented, will significantly improve the

ability of JCD to manage the importation and movement of petroleum and petroleum products in Jamaica in order to account for revenues due. These updated findings and recommendations are outlined below:

- **Document and circulate uniform Operating procedures**: The standard operating procedure (SOP) for fuel bunkering is in the draft stage. Other SOPs for petroleum activities should be completed and circulated having regard to the rotation schedule for JCD officers.
- **Target to have at least 30% of Customs Officers equipped with petroleum technical skills by end-2012**: Approximately 80% of customs officers directly involved in handling of petroleum have been trained both on field oil measurements (vessels & tanks) and class work. Consistently expose the officers frequently to vessel and tank gauging/dipping on a regular basis to improve their skills. Phases I and II of Oil Measurement training is completed.
- **Exchange Data with Excise Officers to reconcile Excise release with back-loaded volumes:** Customs officers will be deployed to Petrojam Refinery on a full-time basis to participate in all fuel receipt and delivery operations.
- **Implement a formal monitoring system to follow-up payment using automated excel worksheet:** Weekly reports on outstanding revenue are in place. This must be improved to a daily monitoring report.
- **Conduct in-depth Audit of Bunkering activities:** Plans are underway by Compliance Section to audit the company during 1st Quarter of FY2013/14 on priority basis.
  Jamaica Customs is to reconcile Petrojam bunkering fuel deliveries to bunkering facilities against fuel supply to foreign-going vessels with documentary proof of duly signed or endorsed sale receipt/document by the Ship Master or Captain.
- **Review Legal Framework:** JCD is to liaise with Jamaica Marine Authority on existing practices in other Logistical Hubs, e.g. Rotterdam, Singapore, Panama, Houston etc.
- **With immediate effect, cease consumption of duty free fuel by bunkering in absence of precedence.**
- **Post Clearance Audit (PCA) of volumes supplied to the mines:** JCD is to correlate bauxite exports against fuel intake and consumption, on maximum, average and minimum production scenarios, and establish trends. Engage and/or warn bauxite Management Companies on the consequences of the availability of cheap Automotive Diesel being sold around the bauxite vicinity.
- **Enforce compliance on the side of Bauxite Companies to make Quarterly returns.**
- **As recommended by PRIDE Jamaica, Diesel Fuel dyeing has commenced at St Ann's Bay.** JCD is to carry out covert surveillance activities within the factory areas, and investigate existence of fuel stations that may be handling marked fuel meant for the mines and draw samples.
- **Petroleum Companies to account for all product that appears not ex warehoused:** Measures have been implemented to improve collection of revenue for unaccounted product. Customs has so far collected **US$10.75 million** from a total amount due of **US$51.61 million**.
- **Part of the fuel was supplied to a Privileged Organization.** JCD is to confirm with the Jamaica Urban Transit Company (JUTC – Bus Company) for proof of supply. JCD is to conduct a review of Sale Agreement to determine the responsibility of Outstanding Liability.

- **Physical isolation of the bonded tank from the rest of the facility, otherwise have the entire facility bonded:** The Bonded Automotive Gas Oil Tank is positively isolated from the rest of the tanks and Customs locks are still in place at the facility. JCD is to ensure that the tank is positively isolated at all times as long as the tank continues to remain in bonded status. De-bond the tank when operations resume in the facility because of the high risk of revenue exposure which remains in bonded status.
- **Scrutinize Invoices to verify declared values to check for instances of transfer pricing, including use of database with international FOB (free on board) prices:** Certificate of Origin of Imports from CARICOM partners is vetted and authenticated by Entry Processing section.
- **Review the details of the *Petro Caribe Agreement* in view of ensuring that the CIF (Customs Insurance Freight) values declared for fuel imports from Venezuela are in-line with the Agreement.**
- **Establish a Petroleum Monitoring Unit:** A proposal has been made to have an Executive Service to coordinate the collection and collation of data as it would be a challenge for the existing section to handle additional work with the current staffing level. Establish a full fledge Petroleum Monitoring Unit, preferably at Kingston.
- **Automate the provisional entry which should become a "precedent" entry for the final entry:** Manual striking of the Clearance Letter is to become automated when Customs rolls out ASYCUDA (ICT platform) or any other Customs Enterprise Resource Planning System.
- **Address with the Ministry of Finance a) confirmation whether the 21 days grace period provision is for all importing companies and b) a review of the conditions that prevailed in 1998:** Petrojam is to request of the Ministry of Finance (MOF) authority to extend the grace period of 21 days to include all other fuel imported into refinery e.g. refined products, blends and crude oil etc. Other Petroleum importers e.g. Rubies, Chevron Texaco etc., have engaged GOJ in view of seeking an identical facility to payment of taxes within 21 days.
- **Support the practice (above) with an official administrative guideline:** Customs is partly financing the cost of fuel by allowing oil companies to sell product in the market before the payment of taxes. Review the policy and let the oil companies pay duties for product to be allowed to move loading rack.
- **All exemption letters to be submitted directly from the Ministry to the Commissioner for authentication before being accepted for processing entries:** Mechanism has been put in place to authenticate all exemption letters.
- **Customs to establish the actual dates of each shutdown and enhance surveillance of all activity:** The process is underway to deploy JCD officers to Petrojam on a full-time basis.
- **Explore fuel marking duty free oil:** Engage Petrojam and other bunkering companies in view of introducing a marker in Automotive Diesel Oil.
- **Review the policy to bring the barges/vessels under the Commissioner's control:** Conduct a review to grant petroleum import licenses on an annual basis by payment of a fee.
- **Policy review to change Pay First- Refund later:** JCD to engage MOF to take appropriate policy direction e.g. bauxite companies to pay duties up-front especially on Diesel, and claim refund upon proof of usage of fuel for bauxite production.
- **Procurement of a valuation database that allows access to international petroleum market prices:** JCD is in the process of procuring/scouting a Customs ERP (enterprise resource planning) Tool that could assist to identify and flag outlier values.

Petroleum Vessel delivering Product to Petrojam Refinery

PRIDE Jamaica will continue to monitor and support the implementation of recommendations that should strengthen and improve JCD's ability to collect revenues that are due from petroleum and petroleum products imports. PRIDE Jamaica will also assist with guiding JCD through any adjustments that may be needed to the training program in order to fully equip Jamaica Customs Officers with the requisite knowledge to conduct accurate accounting of revenue from petroleum imports.

Authorized Economic Operator

In continuation of its support to Jamaica Customs Department's (JCD) *Modernisation Plan*, PRIDE Jamaica began work alongside colleagues at JCD on a reform initiative to implement the operational integration of the Authorized Economic Operator (AEO) program. This activity was undertaken by PRIDE Jamaica as a next phase to PRIDE Jamaica's Risk Management assessment which had identified current AEO practices that were high risk for JCD. The objective of PRIDE Jamaica's assistance is to evaluate JCD's current AEO Program by providing technical assistance in risk assessments and management techniques, security and audit techniques, and security of cargo to companies. It is anticipated that this support will both strengthen and improve the quality of the program within Jamaica Customs, and improve compliance among the private sector, for which the program is predominantly designed. PRIDE Jamaica's prior work with Jamaica Customs enabled PRIDE Jamaica to capitalize on the previously established confidence and capability assurances with JCD, which should contribute significantly to the success of this initiative and enable full implementation of the AEO program.

The AEO System within JCD was designed to reward compliant economic operators and focus resources on potentially unsafe and high-risk entities and individuals to protect the country's borders and revenue. Implementation of this system was intended to allow operators to have a working partnership with Customs that would improve the Customs-to-client relationship, customer service and the business processes of the Jamaica Customs Department. Focusing on the largest importers, risk management is primarily focused on the compliance of the company rather than a combination of factors such as commodity, country of origin and value. Analogous to TAJ's Large Taxpayer Office, Customs' AEO focuses scarce resources on firms

and industries that are responsible for most of the goods imported into Jamaica and also most of the revenue. JCD has also added a security component to AEO in accordance with WCO principles.

JCD's AEO Program has two prongs, a Trusted Trader (Gold Card) and a Supply Chain Security aspect. The Trusted Trader segment is well under way with 150 of Jamaica's largest importers as accounts. There are, however, serious issues that have been identified and remain with this aspect of the program. Included among these is the fact that AEO was implemented quickly, audit resources are very limited, and there are over 150 companies that would be eligible, yet opt not to participate in the program. As a further limitation, in line with international and regional efforts, JCD wishes to inaugurate a reasonable security risk reduction process to the AEO Program; this aspect of the program is not yet in place.

The Authorized Economic Operator (AEO) Program in Jamaica is being planned under two components by Jamaica Customs, as outlined below:

Component 1: AEO — An Authorized Economic Operator, or AEO, is defined as: "a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO ("World Customs Organization") or equivalent Supply Chain security standards. Authorized Economic Operators include inter alia manufacturers, Customs Brokers/Agents, importers, exporters, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses and distributors."

Component 2: Trusted Trader Program — Analogous to Tax Administration Jamaica's (TAJ) Large Taxpayer Office (LTO), Jamaica Customs has instituted a trusted trader program for large volume importers, AEO. Rather than use the transactional method of risk management described in Component 1, above, this regime is based upon the quality, integrity and excellence of the firm's import operation. The "AEO/Trusted Trader", an innovative risk management approach that has been used in countries such as Tanzania, Jordan, Sweden, Egypt and the United States, is based upon a company's Customs compliance level rather than the transactions that it conducts. Importers who display excellence, and are competent and compliant, pose little risk to Customs. Jamaica Customs Department (JCD) has already taken an important step towards implementing this program by initiating the AEO program. Poor ICT, antiquated business practices, scarce human resources and legal restraints hamper these positive moves.

As part of the current AEO evaluation process, PRIDE Jamaica provided training to 24 new Account Managers in risk and account management, and is also introducing supply chain security to the group. The training includes four (4) practice audits at firms with extensive imports within the automotive, construction, food distribution and pharmaceutical sectors. Through this exercise process, Account Managers were able to observe operations of the importers and review Customs Trade Compliance. PRIDE Jamaica is working with key JCD personnel to address the risk issues, program administration, business process, as well as the extent of the new security requirements, and phasing-in schedule and timelines for the overall AEO program. An overview of the referenced AEO Program training modules is attached to this report under ANNEX O.

PRIDE Jamaica has also developed a Draft Compliance Strategy for JCD with the intention for this to be incorporated into the overall strategic plan for operational integration of the Jamaica Customs AEO program. This Draft Compliance Strategy for JCD, which is included as ANNEX

P to this report, has since been fully implemented by JCD with a few areas being amplified to address particular areas of concern within the context of the environment in Jamaica. The four primary priority areas of the projected trade strategy for Jamaica are to:

- Facilitate legitimate trade and ensure compliance
- Enforce Jamaica's trade laws and collect accurate revenue
- Advance national and economic security of Jamaica
- Intensify modernization of JCD's trade processes

Importantly, this approach, consistent with international norms, reflects JCD's selectivity and post-clearance approach to trade facilitation and enforcement through improved automated tools and expanded post-release compliance verification programs to reduce unnecessary delays for legitimate imports at the borders.

Also being used to support Customs Officers' understanding of revised business processes are flow charts (ANNEX Q) developed by PRIDE Jamaica specific to AEO and CEK (non-AEO) processes. These detailed flow charts will act as a roadmap to assist Jamaica Customs to integrate the various isolated activities that are undertaken by different units at JCD, yet, which are relevant to a streamlined and improved AEO process. Jamaica Customs has expressed a need for technical assistance to re-engineer business processes in order properly integrate the newly developed AEO procedures across all Customs areas. It is anticipated that this support will be derived from the Inter-American Development Bank which is already providing funding under a loan to support implementation of the *Customs Modernisation Plan*.

Executive Agency Update

As Jamaica Customs transitions to an Executive Agency (EA), PRIDE Jamaica continues to work with JCD to help sustain those reform initiatives that had previously been undertaken, and to provide support to other reform initiatives that are in keeping with the *Customs Modernisation Plan* (MP). In an effort to keep the *Modernisation Plan* on track, the Minister without portfolio in the Ministry of Finance and Planning requested that a Cabinet Note be prepared to propose extending the EA transition from June 2012 to no later than September 2012. The Cabinet Note was to have been presented by the portfolio Minister and submitted to Cabinet for ratification. Implementation of EA status for Jamaica Customs had been scheduled initially for April 2012. All programs related to JCD modernization continue to be steadily rolled-out despite funding challenges that were encountered during execution of the program plan.

Jamaica Customs advised PRIDE Jamaica that while the EA program continues to be rolled-out, the timeline for full implementation of the program is still to be decided. Both the Minister of Finance and the junior minister have indicated a desire to fully examine the requirements and processes ascribed to implementation in order for them to gain greater understanding of the program's objectives. In this regard, consultations are ongoing, and have included additional consultations with JCD personnel during the reporting period. All the requisite approvals are in place for the transition to proceed pending final ratification by the Minister of Finance.

The *Customs Modernisation Plan* also contemplates amendments to the Customs Act which are critically required to ensure that Jamaica Customs is guided and supported by legislation that is in keeping with legislative frameworks developed by the WCO and WTO. This will enable

Jamaica to participate in global trade. PRIDE Jamaica assisted Jamaica Customs to prepare a Cabinet Submission that included suggested amendments to the Customs Act. The recommended priority amendments to the Customs Act are referred, in part, in ANNEX R**.** At the request of Jamaica Customs, the proposed amendments are being reviewed by PRIDE Jamaica specific to clauses that support enhanced compliance. PRIDE Jamaica is advised that Jamaica Customs will seek external legal support to draft the proposed amendments to the Customs Act.

Customs Valuation Update

PRIDE Jamaica's support to JCD in Customs Valuation procedures is enabling Jamaica Customs to establish the framework for a streamlined and predictable valuation process as a further means of protecting tariff concessions, collecting revenue, implementing trade policy, and protecting public health and safety. The results of this assistance will be improved revenue collection and improved compliance.

Working alongside both the Risk Management and Valuations Units at JCD, PRIDE Jamaica recommended changes to valuation processes that were implemented by Jamaica Customs, which have resulted in the Customs Department reporting record numbers for additional revenue collection for the first five months of the Government of Jamaica's fiscal year beginning April 2012. During this initial period, an additional amount of US$3.2 million was collected by Customs after JCD re-valued under-invoiced imports. The Department collected an additional amount of US$1.7 million for the reporting period September to December 2012, for cargo under-invoiced by importers.

On further recommendation from work conducted by PRIDE Jamaica, the Customs Act is currently under review to also strengthen measures against under-invoicing, which continues to be a major challenge for JCD. Importers who are found to have under-invoiced their goods can be charged a mandatory sum amounting to three times the value of the duty on the goods. With support from PRIDE Jamaica, JCD prepared a Cabinet submission that proposes legislative changes to strengthen these enforcement measures, which will further improve revenue collection and border security.

Customs Risk Management and Operating Systems Update

Jamaica Customs advised PRIDE Jamaica that the RFP for a Jamaica Customs ICT Risk Management System (RMS) that was developed by PRIDE Jamaica in November 2011 was published by Fiscal Services Limited (FSL) in August. FSL is the division of the GOJ that is responsible for the majority of the software applications' support and infrastructure services provided to Government ministries and agencies. Fiscal Services Limited completed formatting of the RFP in accord with IDB procurement guidelines. The IDB will be the primary source of funding for procurement of a new ICT Risk Management System for Jamaica Customs.

The procurement process has been protracted and delayed, however the Commissioner of Customs is committed to the strategy of obtaining the critically needed ICT platform to support improved business processes. Most recently, Jamaica Customs has indicated a preference for a Commercial Off-the-Shelf (COTS) system such as ASYCUDA World and the Commissioner of Customs has expressed his commitment to a timeline of May 2013 for the Customs department to implement this ICT platform. Following implementation of the COTS system, a sophisticated targeting system (such as Greenline Systems) is also to be procured in order to enhance

analysis and targeting, as well as to fulfill other risk management criteria to support Customs functions.

Jamaica Customs advised PRIDE Jamaica that during discussions related to the procurement of the RM system for Customs, the IDB suggested deferring procurement until Customs Business Process Reengineering (BPR) is concluded. The Customs BPR activity is being supported by the Inter-American Development Bank (IDB). PRIDE Jamaica will assist Jamaica Customs to implement Red, Green and Yellow entry processing guidelines, which should make the implementation of Customs BPR within ASYCUDA much easier.
The Commissioner of Customs has established a project team at JCD to champion this activity, and PRIDE Jamaica will continue to advocate for timely procurement of the system so that implementation can be dealt with as a matter of priority.

Leveraging Assistance from other Donors

The Ministry of Finance (MoF) satisfied the conditions precedent to enable disbursement of IDB loan funds to support tax and customs reform.[6] The MoF has established a coordinating group that is providing support and oversight to a project implementation unit (PIU) based at the MoF, and JCD has a representative on the coordinating group. Jamaica Customs will access funding to procure a new risk management (RM) system that will improve efficiency of operations allowing JCD to meet revenue targets, and strengthen both internal and external compliance levels. During January the IDB notified Jamaica Customs that it could proceed with the RFP to procure the new risk management system, and in February Jamaica Customs received approval from IDB to publish the procurement notice (Annex M), referenced earlier in this report. This is a major milestone for Jamaica Customs' implementation of its modernization programs. A technical feasibility study was conducted in March to examine the level of readiness for Jamaica Customs to implement ASYCUDA World. The Commissioner of Customs has indicated a preparedness to procure the new RM System from the JCD budget if funding assistance is not readily forthcoming. As aforementioned, May 2013 is the timeline for system implementation. The European Union is also providing funding support to Customs RM System procurement and will conduct BPR on behalf of Jamaica Customs as a precondition for procurement of the RM ICT system.

The PIU completed a terms of reference and a Cabinet Submission regarding the support Fiscal Services Limited (FSL) will provide to a range of IT procurements that will be funded by the loan.

At the request of Jamaica Customs, PRIDE Jamaica facilitated a meeting with representatives of the JCD AEO team and US Government (USG) representatives, to address wider issues related to security under the AEO Program.

[6] Jamaica Customs, the Central Treasury Management System and Debt Management Unit are also expected to receive funding under the IDB loan, which is likely to total US$62 million.

1.1.3 COMPONENT 4: LEGISLATIVE PROCESS

The Government of Jamaica is working to implement a wide-ranging legislative agenda to support business reform, eliminate corruption, and reduce crime, all of which have an impact on establishing a business and investor friendly environment. During the conduct of activities across program components, PRIDE Jamaica advocates for those legislative and statutory enabling changes that are required to strengthen the various institutions and provide a supporting framework for reform. It should be noted that this component, envisioned in the PRIDE Jamaica Request for Proposal to be a major focus of implementation activities, has been reduced dramatically. This is in accord with guidance that the PRIDE Jamaica team received from USAID/Jamaica to focus its work on Tax Policy and Administration and Licensing and Other Competitiveness Areas due to funding limitations.

One of the key, ongoing legislative items is TAJ's progress toward achieving status as a semi-autonomous revenue authority (SARA). This effort began in 2010, when the IMF had established April 1, 2012 as the date by which Jamaica should enact legislation to establish TAJ as a SARA. PRIDE Jamaica worked with TAJ over the last two years to consider aspects of the legislative changes, reviewed multiple organization structures and supported TAJ to present its case to the public-private sector committee working on tax reform activities. During October Cabinet approved a Cabinet submission outlining the purpose of SARA and the legislative changes that are required. The Honorable Minister of Finance demonstrated his strong support for proceeding with the SARA initiative. In March Parliament passed an act to establish TAJ as a semi-autonomous revenue authority. This is a major milestone in TAJ's reform program activities. TAJ expects that it will require until April 2014 to fully implement the key aspects of a semi-autonomous revenue authority.

During March, Parliament passed new legislation which will empower TAJ 'to make a determination in keeping with modern tax administrative practices and modern business practices, to determine when a tax debt is uncollectible and to grant flexibility to the Tax administration authorities with respect to writing off any of this debt at any point in time.' This new legislation will enable TAJ to clear out a backlog of more than 25,000 arrears cases, and also allow for more than 70% of the current value of arrears cases, which have been deemed uncollectible and represent primarily interest and penalties, to be removed from TAJ's active inventory. The operational framework of the Cabinet submission and the legislation are based on PRIDE Jamaica's work to improve arrears collection. This legislation will have a positive impact on establishing realistic collection targets for TAJ and provide much clearer projections of the revenue that Government can expect to receive from this source. These realistic projections will fulfill an important role in the Government's discussions with development partners. The legislation also provides for regulations empowering the Minister in respect of providing for a tax arrears management system and for the ranking of the debt, which is based on all of PRIDE Jamaica's ongoing support to TAJ Operations in arrears collection.

1.2 OTHER ACTIVITIES

PRIDE Jamaica submitted to USAID/Jamaica its October 2011 – September 2012 Annual Report during this reporting period.

PRIDE Jamaica attended a USAID presentation on Implementing Partner Compliance Issues. Subsequent to this, PRIDE Jamaica conducted a review for staff of the information regarding

compliance issues, and the importance of maintaining compliance at the forefront of contract implementation.

CARANA Corporation was asked by USAID/Jamaica to submit a response to a Scope of Work for an extension of the PRIDE Jamaica program.

1.3 NEXT STEPS

TECHNICAL – Activities below may be revised based on funding that will be available.

Component 1: Tax Policy and Administration

PRIDE Jamaica will continue working with the TAJ to implement activities to support revenue mobilization and reform activities. Upcoming activities include:

- *Continue project management support to TAJ for reform activities:* PRIDE Jamaica has assumed the project management role and will continue to provide support to TAJ to prioritize, manage and implement initiatives to establish a modernized tax administration organization. This includes follow-up with TAJ to assure that the recommendations from the IMF mission report are addressed and completed within the required timeframes.

- *Support implementation of the risk management system to identify and prioritize tax arrears for collection:* Work with the Debt Management Programmes Unit and Revenue Service Centres to implement the risk based methodology to prioritize arrears for collection; apply appropriate treatments for 'High' and 'Medium' cases; and improve processes to manage the inventory of cases, including Public Sector Body cases. This support will result in the most productive arrears cases being closed and additional revenue collected. Provide support to develop the next Annual Plan for Tax Arrears Management to focus resources on the most productive cases and support implementation.

- *Provide training to Compliance Officers to improve collections from tax arrears:* Provide training to improve the skills of front-line compliance officers and managers to more effectively process tax arrears cases to improve case closure and revenue collection. This will include a financial analysis component that incorporates methods of determining ability to pay, negotiating skills and techniques, securing payment arrangements, and investigative techniques to discover taxpayer assets and income sources.

- *Support implementation of the risk management system to select taxpayer entities for audit and support implementation of the Annual Audit Plan:* Support TAJ to implement audit functions based on the current Annual Audit Plan that incorporates the risk management system and support resource allocation to cases that offer the highest yield potential. Establish effective measures of time used and resulting assessments, and revise plans according to actual data. Support development of the next Annual Audit Plan and support implementation.

- *Develop pilot programs to identify areas of high non-compliance to improve taxpayer compliance and mobilize revenue collection:* Establish pilot programs to identify potential areas of high non-compliance among taxpayers to improve tax revenue collections and

compliance. Review status of previous pilot projects (stop filers; professionals) to revise initial pilots and establish new pilots to expand the taxpayer base, improve compliance, and increase revenue collections.

- *Support implementation of the new Performance Management System model and provide training to analysts:* Based on use of the Performance Management System model, revise reports and provide training to analysts to utilize information to improve operational performance.

- *Support the Large Taxpayer Office to conduct an audit in a high priority sector:* Continue working with the Large Taxpayer Office to strengthen audit capabilities in ongoing audits to support revenue collection and improve taxpayer compliance.

- *Support TAJ to implement any other priority initiatives to mobilize revenue collection, improve operations or support the tax reform program:* Within the scope of available funds, provide support for other initiatives to enable TAJ to mobilize revenue collection from existing and new taxpayers, streamline processes, improve transparency in operations, improve compliance and expand the base of taxpayers to generate additional revenue.

- *Leveraging resources:* PRIDE Jamaica will continue to work closely with TAJ to utilize resources from the IDB and EU to implement reforms of the tax administration system. PRIDE Jamaica will promote reform activities to the World Bank so that improvements can be reflected in the next annual *Doing Business* report.

Component 2: Licensing and Other Competitiveness Areas

PRIDE Jamaica will continue work with the trade community and Jamaica Customs to improve Jamaica's competitiveness, support revenue mobilization and other reform activities.

Jamaica Customs

- *Support to Jamaica Customs Anti-Corruption Initiatives:* PRIDE Jamaica will work with the private sector and the Government of Jamaica to support and engage in activities that will strongly enhance anti-corruption approaches within Jamaica Customs administration. These activities include support to Jamaica Customs to improve compliance and ensure that all revenues due are collected.

- *Establish a Petroleum Monitoring Unit within Jamaica Customs*: PRIDE Jamaica will assist the Jamaica Customs Department to establish a Petroleum Monitoring Unit (PMU) within JCD, which will work in conjunction with Tax Administration Jamaica to monitor, manage and control the importation of petroleum and ensure that all revenues due are collected. The Unit will establish controls, procedures and reporting to ensure that all shipments and transmissions of product are accounted for.

- *Support Improvement of AEO Program Practice in line with WCO standards:* PRIDE Jamaica will assist Jamaica Customs with a review of the existing AEO program operations in order to meet the standards to Secure and Facilitate global trade (SAFE) established by the WCO. The AEO concept is one of the main building blocks within the WCO SAFE Framework of Standards (SAFE). The latter is part of the future international Customs model set out to support trade. SAFE sets out a range of standards to guide international

Customs Administrations towards a harmonized approach based on Customs to Customs cooperation and Customs to Business partnership.

- *Leveraging Resources:* PRIDE Jamaica will continue to work closely with JCD to utilize resources from the IDB and EU to implement reforms of the Customs Modernization Plan. PRIDE Jamaica will promote reform activities to the World Bank so that improvements can be reflected in the next annual *Doing Business* report.

Component 3: Access to Credit

In line with guidance from USAID/Jamaica, no further implementation activities are planned for this component.

Component 4: Legislative Process

- Legislative matters arising within other areas of the PRIDE Jamaica project will impact this cross-cutting component. Specifically, activities within the areas of Tax Administration and Jamaica Customs Modernization involve elements of a legislative review or the development of a legislative framework that supports reform activities that will then be implemented. For the most part, these reform efforts are guided by recommendations from implementing partners and are supported by PRIDE Jamaica's work plan. PRIDE Jamaica will continue to follow USAID's guidance in treating the legislative process component as a cross-cutting theme to support other project areas, rather than as a stand-alone component.

RESULTS

As demonstrated by the updated PMEP Results Reporting Table (Annex B), PRIDE Jamaica has achieved, and exceeded, its targets for the current program year. These results are due, in large part, to the strategic approach PRIDE Jamaica adopted since project start-up, with a further, increased focus on project impact. Another fundamental factor contributing to PRIDE Jamaica's impact and results is the strong working partnerships PRIDE Jamaica has established with its counterparts. These partnerships enable the project to work so integrally with colleagues on implementation, and these relationships must be considered to fully appreciate PRIDE Jamaica's successes to date. Complementing these efforts, PRIDE Jamaica's coordination with other international development partners, in particular, the Fiscal Affairs Department of the IMF, has had a strong impact on PRIDE Jamaica's implementation focus and success. Finally, USAID/Jamaica's extremely supportive and collegial working relationship with PRIDE Jamaica, and USAID's leadership role with international development partners, further underscores the project's ability to perform successfully.

Based on available (reduced) funding, PRIDE Jamaica's program is now focusing on implementation activities with Tax Administration Jamaica and Jamaica Customs. Building on key findings from previous IMF reports, prior work completed by PRIDE Jamaica, and issues identified by counterparts, PRIDE Jamaica's focus for this program year is addressing essential business process issues in TAJ to establish, improve and implement systems to improve revenue mobilization; and, to implement activities with Jamaica Customs to reduce risk and corruption, and improve revenue mobilization while making it easier for legitimate businesses to operate.

Tax administration reform continued to be USAID/Jamaica's highest priority for PRIDE Jamaica's implementation program. Working with colleagues in Tax Administration Jamaica (TAJ), PRIDE Jamaica and TAJ focused on improving compliance and mobilizing revenue collection. One of the key, ongoing legislative items has been TAJ's progress on achieving status as a semi-autonomous revenue authority (SARA). This effort began in 2010, when the IMF had established April 1, 2012 as the date by which Jamaica should enact legislation to establish TAJ as a SARA. During October Cabinet approved a Cabinet submission outlining the purpose of SARA and the legislative changes that were required. The Honorable Minister of Finance demonstrated his strong support for proceeding with the SARA initiative, and in March Parliament passed an act to establish TAJ as a semi-autonomous revenue authority. This is a major milestone in TAJ's reform program activities and should strengthen TAJ's operational capabilities, especially in accountability and performance. TAJ expects that it will require until April 2014 to fully implement the key aspects of a semi-autonomous revenue authority.

During March Parliament also passed new legislation which will empower TAJ to determine when a tax debt is uncollectible enable TAJ to write off any of this debt at any point in time. This new legislation will enable TAJ to clear out a backlog of more than 25,000 arrears cases, and also allow for more than 70% of the current value of arrears cases to be removed from TAJ's active inventory. PRIDE Jamaica's work over the last two years provided the framework for TAJ to develop the official 'Debt Write- off Policy', and established the prioritization of arrears cases for collection. This legislation will have a positive impact on establishing realistic collection targets for TAJ and begin to provide much clearer projections of the revenue that Government can expect to receive from this source.

In the area of tax operations, PRIDE Jamaica continued to work with TAJ across a wide range of operational areas. With a substantial backlog of tax arrears cases on its ledgers, TAJ continued to prioritize these cases for collection and, to improve case closure, applied the new treatments for High and Medium cases previously developed with PRIDE Jamaica. To further support improvements in tax arrears collection, PRIDE Jamaica worked with the Tax Arrears Management Unit in Programmes to prepare TAJ's FY2013-2014 Tax Arrears Management Annual Plan. To develop the new plan, PRIDE Jamaica and TAJ modified the framework of the current year's plan (developed last year with support from PRIDE Jamaica) to reflect current inventories, revised staffing allowances, and the "experience rates"[7] for projected closures. The new plan was further revised to allow for the detailing of hours and employees (lending staff time) from one RSC to another to support closing larger case inventories in some RSC locations. The Tax Arrears Management unit presented the draft plan to the Deputy Commissioner General (DCG) Operations and reviewed the draft plan with each RSC during March, planning for the start of the new fiscal year on April 1st. **TAJ collected over US$17 million from High and Medium Priority arrears cases between October 2012 and March 2013.**

During this period PRIDE Jamaica and TAJ developed an extensive training program to improve Compliance Officers' collection skills to improve case closure and improve revenue collection. TAJ also established a working group from various TAJ functions to complete the Tax Arrears Management Standard Operating Procedures (SOP) Manual. This was a major, outstanding recommendation previously made by PRIDE Jamaica. The draft SOP Manual should be completed within the next two months. These approaches will enable TAJ to focus its resources on those cases which are 'High' priority and the most collectible, supporting TAJ's objective to close cases and reduce the inventory of arrears cases in a cost effective manner.

PRIDE Jamaica continued support to TAJ to improve tax compliance by implementing risk based assessments to select cases for audit. PRIDE Jamaica previously worked with TAJ to design and implement a risk management framework to score taxpayer returns and identify those taxpayers most at risk for non-compliance. The new annual audit plan format developed by PRIDE Jamaica integrates the classes that were established for the risk formulas, and the new system is in place and functioning. During January PRIDE Jamaica worked with TAJ to develop the next Annual Audit Plan. The annual plan was designed to guide audit work toward a balanced approach, using the rating criteria with a focus on the larger corporate returns that have greater tax liability and higher potential audit assessments, mobilizing revenue collection. The reports TAJ is now using to provide updated monthly information on implementation of the current year plan can provide useful parameters such as time and yield per return and audit case years per taxpayer, among others. TAJ is working to increase the number of auditors at the Large Taxpayer Office (LTO), and to provide additional training to improve the quantity and quality of audits TAJ conducts.

PRIDE Jamaica continued its work with the Forensic Data-mining and Intelligence Unit (FDIU) and Tax Arrears Management Unit to improve overall compliance with tax return filing and

[7] Experience rates refer to the number of total hours required by a Compliance Officer to close a case.

payment requirements. PRIDE Jamaica developed model program guidelines and reporting requirements for working these compliance program leads by Compliance Officers in the RSC's, and, with TAM, also developed a new performance at a glance report to easily track the status and results of compliance programs as these are implemented in the upcoming fiscal year.

TAJ also implemented a new compliance program to address improving compliance among the 'Professionals' segment of taxpayers that includes attorneys, accountants, doctors, architects and other professional occupations. PRIDE Jamaica assisted TAJ to prepare and issue the Professionals Compliance Leads Program Memo and Guidelines to all the RSC's. PRIDE Jamaica worked with TAJ to review the status and results of this, and two additional compliance programs recently completed. These include two 'Income Tax Stop-filers' programs, in addition to the 'Professionals Income Tax Non-filers' program. **TAJ has collected US$3.2 million thus far from these compliance programs.**[8]

PRIDE Jamaica also worked with FDIU and TAM to develop the annual Compliance Leads Work Plan for the upcoming fiscal year that begins April 1st. The plan will include income tax non-filers and stop-filers, Pay As You Earn (PAYE) non-filers and stop-filers, in addition to under-reporters (who will be referred to the Audit function). FDIU data-mining activities will also use various internal and external databases to identify taxpayers in the following categories:

- New taxpayers;
- Taxpayers with additional registration obligations;
- Taxpayers with incorrect reporting and payment issues;
- High Profile / High Value taxpayers acquiring high-value properties, motor vehicles and other assets; and,
- Guest Accommodation Room Tax (GART) potential taxpayers.

Since December 2011, PRIDE Jamaica has been working closely with the Large Taxpayer Office (LTO) to strengthen LTO's capabilities to improve taxpayer compliance. PRIDE Jamaica has been working with LTO in the telecommunications sector. To further institutionalize capability transfer, TAJ established additional internal data storage and data review capabilities that enable it to conduct more of the technical review work moving forward. During the review of data, TAJ recognized the need to reconfirm the requirement for telecoms firms to pay the General Consumption Tax (GCT) on the face value of prepaid time sold, even through wholesale distributors who may not be registered for GCT. The Minister of Finance announced changes to the GCT Act in February to increase compliance, ensuring that GCT which may be collected by non-registered taxpayers is accounted for by the telecommunications providers. **This measure, implemented on March 1st, is expected to yield just over US$2 million in the next year.**

The Ministry of Finance satisfied the conditions precedent to enable disbursement of IDB loan funds to support tax and customs reform.[9] This is a major milestone that resulted from almost 3 years of work by TAJ and PRIDE Jamaica. This effort began in June 2010, when PRIDE

[8] Amount calculated using an average exchange rate of US$1=J$90.

[9] Jamaica Customs, the Central Treasury Management System and Debt Management Unit are also expected to receive funding under the IDB loan, for a total loan of US$62 million.

Jamaica supported TAJ to prepare a complete costing of the tax administration reform program, against which the IDB developed the tax and customs loan program. In February, TAJ and Jamaica Customs received approval from the IDB to publish the procurement notices for their new IT and Risk Management systems, respectively. Support from PRIDE Jamaica to TAJ to reach this milestone included re-engineering of TAJ's core business processes and preparation of the Request for Proposal. PRIDE Jamaica reviewed Jamaica Customs' risk management framework and also worked with Jamaica Customs to prepare the Request for Proposal to procure the new systems. These new IT systems will greatly strengthen improved operations, facilitate voluntary taxpayer compliance, improve revenue collection, and reduce risk.

Arising from an IMF review, PRIDE Jamaica, working with Jamaica Customs, completed a benchmarking of the systems Jamaica Customs utilizes to monitor the importation of petroleum products. As a result of the benchmarking, PRIDE Jamaica established a framework that Jamaica Customs can implement to improve its oversight and management of petroleum product imports and re-exports. Jamaica Customs has begun implementing the recommendations, including training customs officers to properly measure products as they are being off-loaded in order to accurately assess revenues. Customs has also agreed to the establishment of a dedicated Petroleum Monitoring Unit within the Jamaica Customs structure to support management and monitoring of the petroleum sector which offers a major opportunity to mobilize revenue collection and reduce corruption. The primary mandate of the Petroleum Monitoring Unit (PMU) will therefore be to effectively manage the tax administration of the Petroleum Sector which has not been performing to expectation.

Utilizing new measures developed by PRIDE Jamaica to assist with accounting for all petroleum products, JCD has identified un-accounted product. **JCD implemented management processes that recovered the first US$10.75 million of a total US$51.61 million of outstanding customs revenue due within the petroleum sector.**

The Auditing, Collection and Delinquency Branch within Jamaica Customs is a relatively new organization (established 2011) that was created as a result of a previous PRIDE Jamaica and IMF recommendation that collections be separated from the Post Clearance Audit Branch. As a result of having dedicated staff, collections have increased from US$1.65 Million in FY 2012 to US$3.16 Million for the 11th months of FY 2013-2014 (which ends March 31, 2013). The increase of US$1.51 Million is dramatic and largely due to the use of court judgments, liens, garnishment and related press coverage. The fledgling staff has won 6 out of 8 judgments for JCD. These judgments have earned JCD newfound respect and are acting as a deterrent. JCD has stated that paralegal training in debt management techniques and assistance is needed since the five-person staff is learning as they proceed. Based on PRIDE Jamaica's prior work with Jamaica Customs on valuation processes, **Jamaica Customs collected an additional US$1.7 million** between September and December 2012 for cargo that was under-invoiced by importers.

Guided by PRIDE Jamaica, Jamaica Customs conducted a review of the current Trusted Trader Program at JCD, which the organization intends will evolve into implementation of a fully operational and integrated Authorized Economic Operator (AEO) Program, in accord with WCO guidelines. PRIDE Jamaica has prepared a draft Trade Compliance Strategy that will complement Jamaica's national strategies for gaining operational control at the ports of entry. It will also guide efforts toward a system that is swift, safe, predictable, and secure for legitimate imports entering the Jamaican marketplace. Jamaica Customs has prepared a Cabinet

Submission to review elements of the Customs Act that are a hindrance to the proper execution of compliance measures by importers and traders and PRIDE Jamaica will work alongside Jamaica Customs to advocate for the passage of legislative amendments that will further strengthen Customs compliance initiatives.

ANNEX A COUNTERPART CONTRIBUTIONS

October 2012 – March 2013

Component	USD Amount	Notes
Tax Policy and Administration	397,421	Provided by Tax Administration Jamaica. Includes proportional amounts of salary and facilities allocated to implementing tax administration reform work.
Business Licensing and Other Competitiveness Areas ▪ Jamaica Customs Reform	102,105	To support implementation of new ICT platform for Risk Management, Jamaica Customs purchased 111 PCs and an Operator Console for VOIP PBX to create integration of Customs operations across several locations.
TOTAL	**499,526**	

ANNEX B PMEP RESULTS TABLE

PRIDE Jamaica Results – October 1, 2012 - March 31, 2013

Performance Based Management System

Results and Related Performance Indicators[10]	Baseline	2010 Target[11]	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results	2013 Target	2013 YTD Results
IR1: Key Policies, Regulations and Processes Improved									
Sub-intermediate Result 1.1 Key Economic Reforms Implemented									
Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultations as a result of USG assistance.		1	2[12]	5	8[13]	5	8[14]	3	3[15]
Sub-intermediate Result 1.2 Institutional Capacity for Administration Strengthened									

[10] Indicators and targets do not include activities for Land Policy and Administration. Indicators and targets were to be adjusted when USAID/Jamaica and PRIDE Jamaica identified component activities to implement. In line with reduced program funding, USAID/Jamaica advised PRIDE Jamaica not to undertake activities in this component area.

[11] Represents the period March 11 – September 30, 2010, Year 1 of the project. 2011 information represents the period October 1, 2010 through September 30, 2011.

[12] Outputs include Tax Administration Jamaica (TAJ) fully costed modernization implementation plan, and analysis and recommendation to support procurement of a commercial off the shelf (COTS) information technology solution.

[13] Outputs include reengineered business processes for TAJ Taxpayer Services, Returns Processing and Revenue Accounting, Audit, and Collection; new structure and processes for Budget and Analytics Unit; draft of a new Tax Procedures Act; Performance Management Reporting Formats; criteria to identify and select high risk Corporate Income Tax cases for audit.

[14] Outputs include criteria to identify and select high risk General Consumption Tax cases for audit; criteria to identify and select high risk Personal Income Tax cases for audit; new Annual Audit Plan methodology incorporating case selection criteria; new prioritization system for tax arrears; new treatments for 'High', 'Medium', and 'Low' arrears cases; new Annual Debt Management Plan methodology incorporating arrears prioritization system and new treatments; new forms and procedures to work tax arrears cases, included in a new Debt Collection Handbook; new procedures to identify and implement taxpayer compliance improvement programs.

[15] Outputs include framework for Debt Write-Off Legislation; Procedures and Guidelines for Professionals Taxpayer Compliance Program; FY 2013/2014 Annual Work Plan for Taxpayer Compliance Improvement.

Results and Related Performance Indicators[10]	Baseline	2010 Target[11]	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results	2013 Target	2013 YTD Results
Number of institutions/organizations undergoing capacity/competency assessments as a result of USG assistance.		1	1[16]	4	7[17]	3	7[18]	2	2[19]
Number of Trade and Investment capacity building diagnostics conducted as a result of USG assistance.		---	---	4	7[20]	2	5[21]	2	2[22]
IR2: Private Sector Capacity to Participate in Reforms Increased									
Sub-intermediate Result 2.1 Private sector partnerships and collation-building strengthened									
Number of Public-Private Dialogue mechanisms utilized as a result		3	3[23]	5	6[24]	2[25]	4[26]	2	2[27]

[16] Includes ACRE Task Force assessment of pilot operations of the DAC.

[17] Includes Tax Administration Jamaica (TAJ), the Tax Policy Division of the Ministry of Finance and the Public Service and the Economic Management Division of the Ministry of Finance and the Public Service, ACRE Task Force assessment of pilot operations of the DAC, CBSI funding for Import/Export Mapping, CBSI funding for development of a Risk Management Framework for Jamaica Customs, and the Assessment of a Regulatory Framework for the Microfinance Institution Sector (this included an assessment of the role of the Development Bank of Jamaica).

[18] Includes Tax Administration Jamaica; assessment of Jamaica Customs for the Petroleum Monitoring Unit and Customs Valuation; Single Window Assessment of Ministry of Agriculture, Ministry of Health, JAMPRO, The Trade Board, Bureau of Standards Jamaica.

[19] Includes Tax Administration Jamaica in Tax Arrears Management, implementation of taxpayer compliance improvement programs, and implementation of the 2012/2013 Annual Audit Plan. Includes Jamaica Customs application of updated AEO program qualifications and petroleum monitoring guidelines.

[20] Includes review of Assessment, Collections, and Enforcement framework for TAJ, ACRE Task Force for Development Approvals, Legal Opinion for statutory enabling of a two-tiered system for development approvals, CBSI funding of the Mapping of the Import/Export Process with the Trade Community System Partnership, CBSI funding of the Development of a Risk Management Framework for Jamaica Customs Modernization, Assessment for a Microfinance Institution Regulatory Framework, and Economic Impact Analysis of Mobile Financial Services in Jamaica.

[21] Includes RFP Development for a new COTS IT system for TAJ; RFP Development of Risk Management Framework for Jamaica Customs; Jamaica Single Window Preparedness Assessment; Framework for Petroleum Monitoring Unit for Jamaica Customs; Review and assessment of Customs Valuations Procedures.

[22] Includes training, design and implementation of petroleum measurement procedures at Jamaica Customs. Includes updating and implementation of new procedures for Jamaica Customs AEO program.

[23] Includes ACRE Task Force for Development Approvals, Trade Community System Partnership for Import/Export, and Mobile Banking Public-Private Partnership.

[24] Includes Executive Steering Committee, Tax Administration Reform Program; ACRE Task Force for Development Approvals; Trade Community System Partnership for Import/Export; Youth Upliftment for Employment (YUTE); MFI/DBJ self regulatory mechanism; and Mobile Banking Public-Private Partnership.

[25] PRIDE Jamaica completed implementation activities in several component areas as a result of reduced funding, and in accord with guidance from USAID/Jamaica. As a result PRIDE Jamaica will engage with fewer Public-Private Dialogue mechanisms in 2012. The target was changed from 4 to 2.

Results and Related Performance Indicators[10]	Baseline	2010 Target[11]	2010 Results	2011 Target	2011 Results	2012 Target	2012 Results	2013 Target	2013 YTD Results
of USG assistance.									
Number of microfinance institutions supported by USG financial or technical assistance.		---	---	5	8[28]	---[29]	---	---[30]	---
Sub-intermediate Result 2.2 Private sector role in advocacy and policy dialogue increased									
Number of Public-Private Dialogue mechanisms utilized as a result of USG assistance.		3	3[31]	5	6[32]	2[33]	4[34]	2	2[35]
Number of changes made to business enabling environment.		---	---	4[36]	4[37]	2[38]	5[39]	2	4[40]

[26] Includes Executive Steering Committee, Tax Administration Reform Program; Trade Community System Partnership for Import/Export; Single Window for Trade Consultations with public-private Coalition; Youth Upliftment for Employment (YUTE).

[27] Includes Jamaica Customs work with Petrojam on petroleum monitoring and work with large importers on the AEO program.

[28] Includes Jamaica National Small Business, Bank of Nova Scotia Foundation, First Union, COPE, Micro-Credit Limited, Nation's Growth, and Micro-Enterprise Finance Limited. Members of the Jamaica Microfinance Alliance also receiving assistance through their organization.

[29] Due to reduced funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica completed activities in the micro-finance component in August 2011. The target was changed from 9 to 0.

[30] Due to reduced funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica completed activities in the micro-finance component in August 2011. The target was changed from 12 to 0.

[31] Includes ACRE Task Force for Development Approvals, Trade Community System Partnership for Import/Export, and Mobile Banking Public-Private Partnership.

[32] Includes Executive Steering Committee, Tax Administration Reform Program; ACRE Task Force for Development Approvals; Trade Community System Partnership for Import/Export; Youth Upliftment for Employment (YUTE); MFI/DBJ self regulatory mechanism; and Mobile Banking Public-Private Partnership.

[33] PRIDE Jamaica completed implementation activities in several component areas as a result of reduced funding, and in accord with guidance from USAID/Jamaica. As a result PRIDE Jamaica will engage with fewer Public-Private Dialogue mechanisms in 2012. The target was changed from 4 to 2.

[34] Includes Executive Steering Committee, Tax Administration Reform Program; Trade Community System Partnership for Import/Export; Single Window for Trade Consultations with public-private Coalition; Youth Upliftment for Employment (YUTE).

[35] Includes Jamaica Customs work with Petrojam on petroleum monitoring and work with large importers on the AEO program.

[36] This target included a revised legal framework for Commercial Alternative Dispute Resolution (CADR). After the PMEP was finalized PRIDE Jamaica was advised that the Minister of Justice was not prepared to proceed with the legislative changes in the near future. This target also included a Rules Engine for Development Approvals. After the PMEP was finalized USAID/Jamaica provided guidance to PRIDE Jamaica to complete activities on Development Approvals by March 31, 2011. These two items will have an impact on achieving the overall target during the program year.

[37] Includes revised operating procedures to the DAC provided by ACRE Task Force; Tabling of the National Building Code; Codified mapping of import/export procedures; and, revised Risk Management Framework implemented by Jamaica Customs.

[38] Due to reduced funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica completed activities in several components earlier than expected. As a result, the target was changed from 3 to 2.

[39] Implementation of Risk Framework for Audit Case Selection by TAJ; Implementation of Revised Cargo Entry Processes at Jamaica Customs; Implementation of Petroleum Monitoring Measures by Jamaica Customs; Implementation of revised Jamaica Customs valuation procedures; Additional trained personnel available in the workforce through YUTE – 44 jobs created through 10/2011.

[40] Includes new Debt Write-Off Legislation for TAJ; includes new legislation establishing TAJ as a semi-autonomous revenue authority (SARA); Petroleum Monitoring Measures with JCD; and, implementation of new AEO processes.

ANNEX C RESULTS BY INDICATOR

PRIDE Jamaica

October 2012 –March 2013

INDICATOR 1*: Number of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultations as a result of USG assistance.*

Target for Year 4: 3
Actual to date for Year 4: 3

Component 1: Tax Policy and Administration

1. Developed framework for tax arrears write-off policy, which resulted in legislation to allow for write off of uncollectible tax arrears and established guidelines to prioritize arrears for collection

   During March Parliament passed new legislation which will empower TAJ 'to make a determination in keeping with modern tax administrative practices and modern business practices, to determine when a tax debt is uncollectible and to grant flexibility to the Tax administration authorities with respect to writing off any of this debt at any point in time.' This new legislation will enable TAJ to clear out a backlog of more than 25,000 arrears cases, and also allow for more than 70% of the current value of arrears cases, which have been deemed uncollectible and represent primarily interest and penalties, to be removed from TAJ's active inventory. Substantial pieces of the Cabinet submission and the legislation incorporate information developed by PRIDE Jamaica. This legislation will have a positive impact on establishing realistic collection targets for TAJ and providing much clearer projections of the revenue that Government can expect to receive from this source. These realistic projections will also fulfill an important role in the Government's discussions with development partners. The legislation also provides for regulations empowering the Minister in respect of providing for a tax arrears management system and for the ranking of the debt, which is based on all of PRIDE Jamaica's ongoing support to TAJ Operations in arrears collection.

2. Developed Program Guidelines and Reporting Requirements for 'Professionals' Compliance Improvement Program

   TAJ began implementing a new compliance program to address improving compliance among the 'Professionals' segment of taxpayers that includes attorneys, accountants, doctors, architects and other professional occupations. There are approximately 1,800 potential leads that resulted from the FDIU information gathering and TAJ screening. Based on PRIDE Jamaica's recommendation, TAJ began this compliance program using 3 RSC's as pilot offices to test both the quality of leads produced and the process for working these compliance leads. As the pilot program progresses over the next several months, TAJ will assess the results and responses from taxpayers to determine if any adjustments are needed to the program guidelines before issuing the remaining "Professionals" compliance leads to the other RSC offices. PRIDE Jamaica prepared the program guidelines and reporting requirements that have been issued by the Tax Arrears Management Programmes Unit to all RSC managers for this program.

3. Supported FDIU to Develop FY 2013/2014 Annual Work Plan for Taxpayer Compliance Improvement.

   PRIDE Jamaica worked with the Programmes Tax Arrears Management team and FDIU to develop an annual work plan for the upcoming fiscal year for programs to improve taxpayer compliance. The plan will include income tax non-filers and stop-filers, Pay As You Earn (PAYE) non-filers and stop-filers, in addition

to under-reporters (who will be referred to the Audit function). FDIU data-mining activities will also use various internal and external databases to identify taxpayers in the following categories:

- New taxpayers;
- Taxpayers with additional registration obligations;
- Taxpayers with incorrect reporting and payment issues;
- High Profile / High Value taxpayers acquiring high-value properties, motor vehicles and other assets; and,
- Guest Accommodation Room Tax (GART) potential taxpayers.

INDICATOR 2*: Number of institutions/organizations undergoing capacity/competency assessments as a result of USG assistance.*

Target for Year 4: 2
Actual to date for Year 4: 2

Component 1: Tax Policy and Administration

1. Tax Administration Jamaica

   PRIDE Jamaica continues to provide an ongoing review of TAJ activities in operations, legal and management services to support implementation of the tax administration reform program and mobilize revenue collection. Activities include implementation support in tax arrears management and collections to prioritize arrears cases, apply treatments based on categories of cases, and improve closures on tax arrears cases; implementation of the Annual Plan for Tax Arrears Management; implementation of the Annual Audit Plan to apply audit risk criteria to identify and select cases for audit and achieve targets; design of taxpayer compliance improvement programs; and continuing support to LTO to review data in high priority sectors.

Component 2: Licensing and Other Competitiveness Areas

2. Jamaica Customs

   Petroleum Monitoring Management

   Petroleum imports account for approximately 30 percent of JCD revenue collections. Possible abuse in this sector was likely resulting in significant under-reporting of imports with concomitant loss of revenue. PRIDE Jamaica benchmarked the JCD's petroleum monitoring processes and provided a revised operational framework to enable JCD to establish effective monitoring in accord with international best practice. JCD will begin working more closely with TAJ to monitor and control the importation of petroleum and ensure that all revenues due are collected.

   JCD implemented PRIDE Jamaica's recommendations which include, among others, the use of Standard Operating Procedures (SOPs) and instituting tighter stock controls at the refinery by sealing the valves and being available to break the seals without interrupting the operations of the refinery or deploying a resident Customs Officer. Training is underway for Customs Officers to effectively measure products as these are off-loaded from vessels and to conduct surveys of bulk petroleum products offloaded at Jamaica's ports. JCD has also re-deployed personnel to strengthen effective monitoring. This will enable accurate and

efficient verification of the types and volumes of bulk products offloaded and allow JCD to assess the appropriate revenues due and payable on the petroleum imports, and will result in an increase in revenue collection, improved transparency, and reduced corruption.

Authorized Economic Operator (AEO) Program at Jamaica Customs

Based upon anecdotal evidence and observations of the import documentation, Jamaica Customs has an importer population that varies greatly in levels of compliance. The complexity of Customs processes is due in part to the large amount of errors that JCD corrects through automated and manual reviews. Brokers and their importer clients have high error rates running between 5-12% of entry volume. Less serious errors are not counted but would contribute to a higher percentage. Cargo officers at pier and other field locations perform error resolution as well as officers at the Entry Processing Unit (EPU). Minor mistakes are handled expeditiously but constitute double handling by all concerned. Many of the mistakes are repetitive in nature involving the same companies. Also numerous incidents occur when Customs Officers overlook mistakes during manual reviews. To further complicate the intense manual processing, oftentimes breaches detected by Customs are ignored. PRIDE Jamaica worked alongside Jamaica Customs to assist the Jamaica Customs Department (JCD) to evaluate its current AEO Program by providing technical assistance in risk assessments and management techniques, security and audit techniques, and security of cargo to companies; and provide guidelines for implementation of new processes that will strengthen and improve the quality of the program within Jamaica Customs and improve compliance among both Customs and the trade community.

INDICATOR 3*: Number of trade and investment capacity building diagnostics conducted as a result of USG assistance.*

Target for Year 4: 2
Actual to date for Year 4: 2

1. Petroleum Monitoring Unit Framework

   Petroleum imports account for approximately 30 percent of JCD revenue collections. Possible abuse in this sector was likely resulting in significant under-reporting of imports with concomitant loss of revenue. PRIDE Jamaica benchmarked the JCD's petroleum monitoring processes and provided a revised operational framework to enable JCD to establish effective monitoring in accord with international best practice. JCD will begin working more closely with TAJ to monitor and control the importation of petroleum and ensure all revenues due are collected.

   JCD implemented PRIDE Jamaica's recommendations which include, among others, the use of Standard Operating Procedures (SOPs) and instituting tighter stock controls at the refinery by sealing the valves and being available to break the seals without interrupting the operations of the refinery or deploying a resident Customs Officer. Training is underway for Customs Officers to effectively measure products as these are off-loaded from vessels and to conduct surveys of bulk petroleum products offloaded at Jamaica's ports. JCD has also re-deployed personnel to strengthen effective monitoring. This will enable accurate and efficient verification of the types and volumes of bulk products offloaded and allow JCD to assess the appropriate revenues due and payable on the petroleum imports, and will result in an increase in revenue collection, improved transparency, and reduced corruption. JCD has also re-deployed personnel to strengthen effective monitoring. This will enable accurate and efficient verification of the types and volumes of bulk products offloaded and allow JCD to assess the appropriate revenues due and payable on the petroleum imports, and will result in an increase in revenue collection, improved transparency, and reduced corruption.

2. Implementation of new AEO Processes at Jamaica Customs

PRIDE Jamaica's support to Jamaica Customs includes implementation of new procedures for Jamaica Customs' AEO program. Intervention by PRIDE Jamaica assisted the Jamaica Customs Department (JCD) to evaluate and assess its current AEO Program by providing technical assistance in risk assessments and management techniques, security and audit techniques, and security of cargo to companies; and provide a trade compliance strategy for implementation of new processes that will strengthen and improve the quality of the AEO program at Jamaica Customs and improve compliance both within Customs and among the trade community. It is anticipated that as JCD focuses on compliance activities, the actual strategy is a focused, multi-year effort that will become a continuous process of compliance measurement. The measurement will identify gaps in compliance that require mitigation. Mitigation efforts then are targeted to significant revenue and enforcement issues. PRIDE Jamaica will continue to work alongside JCD in the upcoming program year to improve trade compliance processes and procedures.

INDICATOR 4*: Number of Public-Private Dialogue mechanisms utilized as a result of USG assistance.*

Target for Year 4: 2
Actual to date for Year 4: 2

1. Implementation of new AEO Processes

PRIDE Jamaica worked with Jamaica Customs to design and present to large traders the standard global requirements for participation in a fully operational and integrated Customs Authorized Economic Operator (AEO) program. Through a series of individual consultative workshops and meetings with the traders and large importers, PRIDE Jamaica and Jamaica Customs met with senior company executives to encourage organizational implementation of a compliance plan in order to access the benefits of AEO status. This will result in a significant reduction in the time and cost to import and export goods. The traders' compliance program will complement JCD's compliance strategy and in so doing, reduce the propensity for corruption by applying standards and practices that increase transparency and predictability.

2. Petroleum Monitoring

In providing technical support to Jamaica Customs to establish a Petroleum Monitoring Unit, PRIDE Jamaica facilitated a collaborative approach for petroleum measurements training between Jamaica Customs and the Petroleum Corporation of Jamaica Ltd (PCJ). PCJ oil refinery is a public-private partnership involving the Government of Jamaica and private enterprise. Utilizing this collaborative approach allowed Customs Officers to gain ready access to safety equipment, measurement tools and technical skills and expertise that had otherwise been unavailable; as well as allowed the opportunity for the major player in Jamaica's petroleum sector to engage in structured dialogue with Customs personnel to address the concerns of the sector specific to procedures for facilitating petroleum imports. This PRIDE Jamaica assisted collaborative approach has continued to exhibit results in relation to the ability of Jamaica Customs to better exercise monitoring and enforcement measures that have been established to ensure that revenues due from the petroleum sector are collected.

INDICATOR 5*: Number of microfinance institutions supported by USG financial or technical assistance.*

Based on reductions in funding and in accord with guidance from USAID/Jamaica, PRIDE Jamaica concluded implementation activities in this program area on September 30, 2012. There is no target for this indicator for the current program year.

INDICATOR 6*: Number of changes made to business enabling environment.*

Target for Year 4: 2
Actual to date for Year 4: 4

1. New legislation to allow for write off of uncollectible tax arrears and establish guidelines to prioritize arrears for collection

   During March Parliament passed new legislation which will empower TAJ 'to make a determination in keeping with modern tax administrative practices and modern business practices, to determine when a tax debt is uncollectible and to grant flexibility to the Tax administration authorities with respect to writing off any of this debt at any point in time.' This new legislation will enable TAJ to clear out a backlog of more than 25,000 arrears cases, and also allow for more than 70% of the current value of arrears cases, which have been deemed uncollectible and represent primarily interest and penalties, to be removed from TAJ's active inventory. Substantial pieces of the Cabinet submission and the legislation incorporate information developed by PRIDE Jamaica. This legislation will have a positive impact on establishing realistic collection targets for TAJ and began providing much clearer projections of the revenue that Government can expect to receive from this source. These realistic projections will also fulfill an important role in the Government's discussions with development partners. The legislation also provides for regulations empowering the Minister in respect of providing for a tax arrears management system and for the ranking of the debt, which is based on all of PRIDE Jamaica's ongoing support to TAJ Operations in arrears collection.

2. New legislation establishing TAJ as a Semi-autonomous Revenue Authority (SARA)

   One of the key, ongoing legislative items is TAJ's progress on achieving status as a semi-autonomous revenue authority (SARA). This effort began in 2010, when the IMF had established April 1, 2012 as the date by which Jamaica should enact legislation to establish TAJ as a SARA. During October Cabinet approved a Cabinet submission outlining the purpose of SARA and the legislative changes that are required. The Honorable Minister of Finance demonstrated his strong support for proceeding with the SARA initiative. In March Parliament passed an act to establish TAJ as a semi-autonomous revenue authority.

   PRIDE Jamaica worked with TAJ over the last two years to consider aspects of the legislative changes, reviewed multiple organization structures and supported TAJ to present its case to the public-private sector committee working on tax reform activities. This is a major milestone in TAJ's reform program activities. TAJ expects that it will require until April 2014 to fully implement the key aspects of a semi-autonomous revenue authority.

3. Petroleum Monitoring Measures

   Petroleum imports account for approximately 30 percent of JCD revenue collections. Possible abuse in this sector was likely resulting in significant under-reporting of imports with concomitant loss of revenue.

PRIDE Jamaica benchmarked the JCD's petroleum monitoring processes and provided a revised operational framework to enable JCD to establish effective monitoring in accord with international best practice. JCD will begin working more closely with TAJ, particularly Excise officers, to monitor and control the importation of petroleum and ensure all revenues due are collected.

JCD implemented PRIDE Jamaica's recommendations which include, among others, the use of Standard Operating Procedures (SOPs) and instituting tighter stock controls at the refinery by sealing the valves and being available to break the seals without interrupting the operations of the refinery or deploying a resident Customs Officer. Training is underway for Customs Officers to effectively measure products as these are off-loaded from vessels. JCD has also re-deployed personnel to strengthen effective monitoring. During the next program year PRIDE Jamaica will provide further technical training to JCD officers to conduct surveys of bulk petroleum products offloaded at Jamaica's ports. This will enable accurate and efficient verification of the types and volumes of bulk products offloaded and allow JCD to assess the appropriate revenues due and payable on the petroleum imports, and will result in an increase in revenue collection, improved transparency, and reduced corruption.

4. Implementation of new AEO Processes

Compliance is important to facilitation because it allows Customs to focus scant resources on the highest risk importations. A comprehensive newly trade compliance strategy developed for Jamaica Customs by PRIDE Jamaica will complement Jamaica's national strategies for gaining operational control at the ports of entry. It will also guide efforts toward a system that is swift, safe, predictable, and secure for legitimate imports entering the Jamaican marketplace. This approach, consistent with international norms for AEO programs, reflects JCD's selectivity and post clearance approach to trade facilitation and enforcement through automated tools and expanded post-release compliance verification programs to reduce unnecessary delays for legitimate imports at the borders.

ANNEX D House Approves Bill to Write Off Uncollectible Tax Arrears

Thursday, 14 March 2013 11:09
Written by JIS

A Bill which seeks to empower the Minister of Finance and Planning, Dr. the Hon. Peter Phillips, to write off arrears of taxes as well as penalties determined to be uncollectible, was approved by the House of Representatives on March 12.

Piloting the Bill, the Minister noted that this is part of the overall commitment to general tax reform and more specifically, to the modernization of Jamaica's tax system to make it more in tune with modern tax collection practices.

The Bill also provides for regulations empowering the Minister in respect of providing for a tax debt arrears management system and for the ranking of the debt. He said the Tax Administration of Jamaica (TAJ) sets targets that are established by the Ministry, within the context of budgetary measures.

"Historically, the TAJ's success is measured by the ability to deliver these targets, as unpaid arrears are kept in the active inventory of the TAJ and reported to the Ministry of Finance. This large amount of taxes due, probably contribute to an unrealistic collection expectation and the perception of regular breach of the targets by the TAJ," Dr. Phillips said.

"What this Bill seeks to do is to grant the power, essentially to the TAJ department to make a determination in keeping with modern tax administrative practices and modern business practices, to determine when a tax debt is uncollectible and to grant flexibility to the Tax administration authorities with respect to writing off any of this debt at any point in time," he added.

Dr. Phillips stated that as of December 2011, there were 70,245 accounts totaling over $230 billion in old debts. Of this $230 billion, approximately $195 billion is over three years old, and only approximately $4 billion is less than six months old, with the remaining amounts between six months and three years.

"What we have is a pool of arrears on the books, much of which represent a small amount of principal, large amount of interest penalty and surcharges and what is being attempted in the Act is to enable the write off of debt where it is deemed by the tax authorities to be non recoverable," Dr. Phillips stated.

For his part, Opposition Spokesperson on Finance, Audley Shaw, said the Bill should have "been conjoined with the regulations". He argued that the legislation should not be approved without the passage of the accompanying regulations.

In his response, Dr. Phillips said the Bill will not come into effect until the regulations are passed.

The Bill will now be sent to the Senate.

By Latonya Linton

ANNEX E COMPLIANCE OFFICERS CASE REVIEW

TAX ADMINISTRATION JAMAICA

COMPLIANCE OFFICERS CASE REVIEW (DRAFT)

Name of Officer: _____ Name of Team Leader: _____ Date of Review: _____

Name & TRN of Taxpayer Entity	*Tax Types*	*Principal Amount of Tax Due* ----------- *Total Amount Due*	*Manager's Review Comments & Recommendations*	*Manager's Follow-up Review Comments*

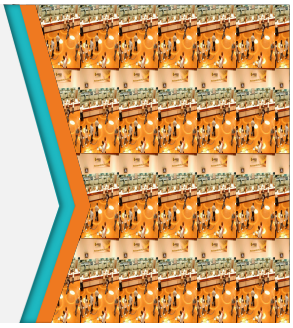
Compliance Officers Case Review – Format – February 26, 2013

FORM ____

ANNEX F TRAINING OVERVIEW OF ARREARS COLLECTION TRAINING

New Debt Arrears Training for Team Leaders

OCTOBER 2012



TRAINING METHODOLOGY

- Interactive Training Methods
- Case Studies
- Case Problems
- Role Play Exercises
- Breakout Groups, Discussion & Report Back to Class
- Visual Aides
- Handout Materials

OBJECTIVES OF SEMINAR

- Improve Team Leaders Knowledge of the New Debt Arrears Programs, Processes, Methods & Procedures
- Provide Participants with Awareness of New Concepts to Secure More Effective Results
- Encourage Group Discussion & Participation
- Discuss Basic Principles of Tax Debt Arrears Collection & Program Management

SEMINAR TOPICS

- Modern Tax Administration
- Tax Debt Arrears Collection Processes & Procedures
- Management of Compliance Officers & Tax Debt Arrears Inventory
- Interview Techniques & Collection Information Statements
- Investigative Techniques
  - ✓ Verification of Financial, Income and Asset Information
  - ✓ Securing Information from Other Sources

SEMINAR TOPICS

- Negotiating Arrangement Contracts
- Full Compliance Checks
- Reports Preparation & Management
- Enforcement Actions for Tax Debt Arrears Collection
- Course Evaluation
  - ✓ Discussion Q & A
- Seminar Closing
  - ✓ Training Certificates
  - ✓ Closing Remarks

MODERN TAX ADMINISTRATION

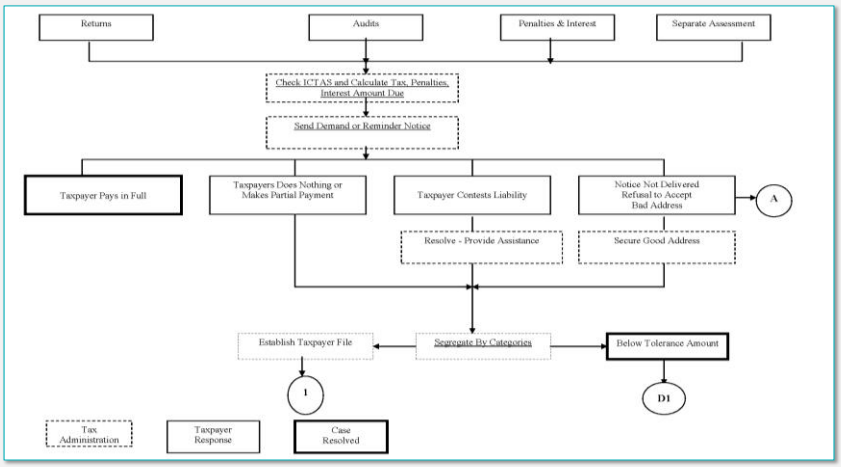
- Receipt and Assignment of Cases
- Methods for Tracking Assignment of Cases to Compliance Officers (CO)
- Cases Assigned Spread Sheet
- Weekly Inventory Report for Each CO
- Weekly Inventory Report for Each DM Team
- Weekly Inventory Report for Each RSC

TAX DEBT ARREARS CHART

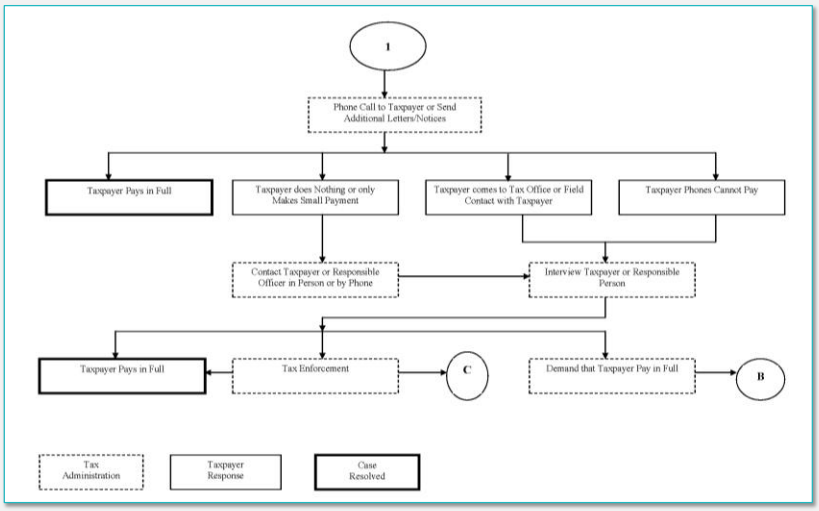
HIGH LEVEL VIEW

TAX DEBT ARREARS COLLECTION PROCESS

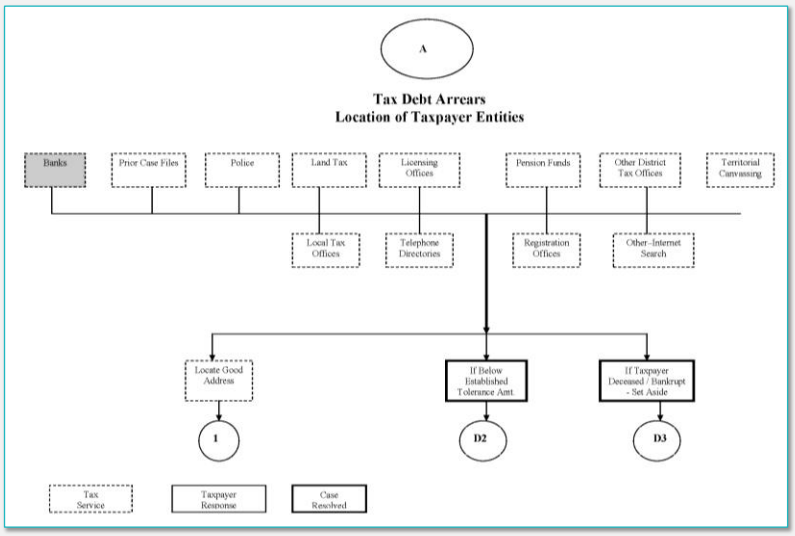
TAX DEBT ARREARS CHART



TAX DEBT ARREARS CHART



TAX DEBT ARREARS CHART



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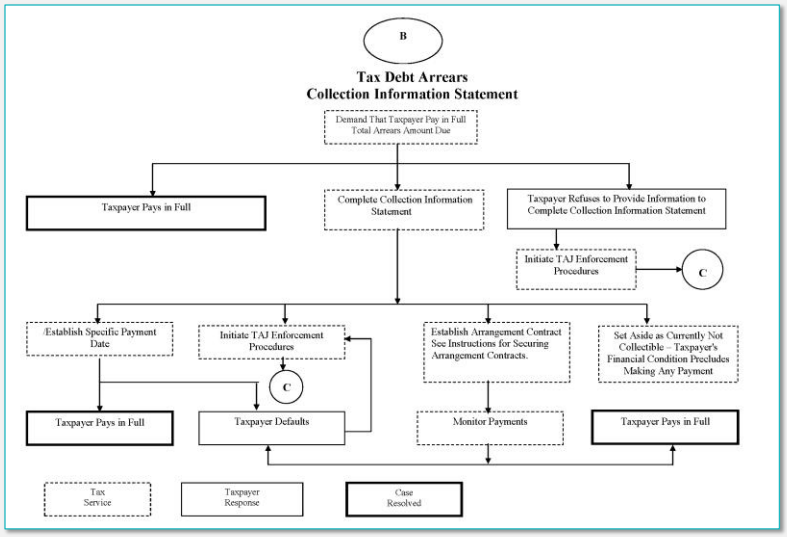
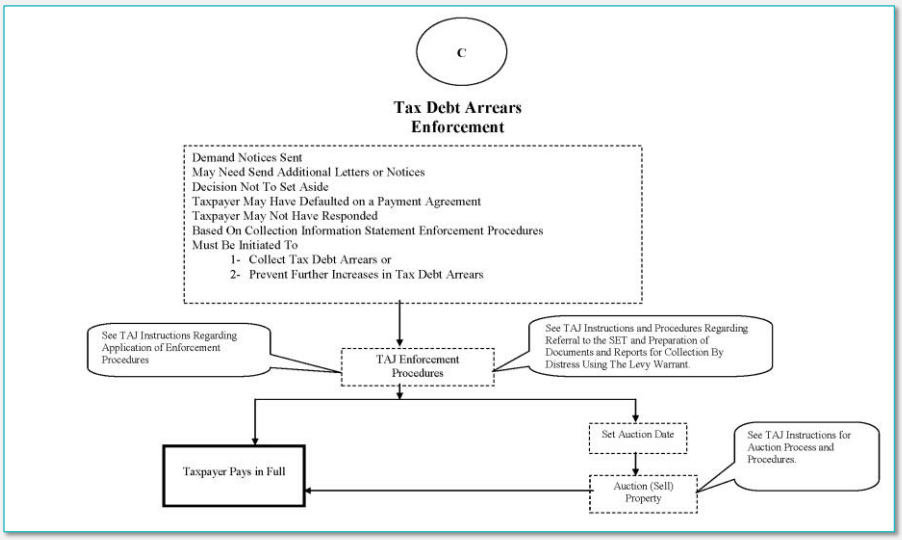


TAX DEBT ARREARS CHART



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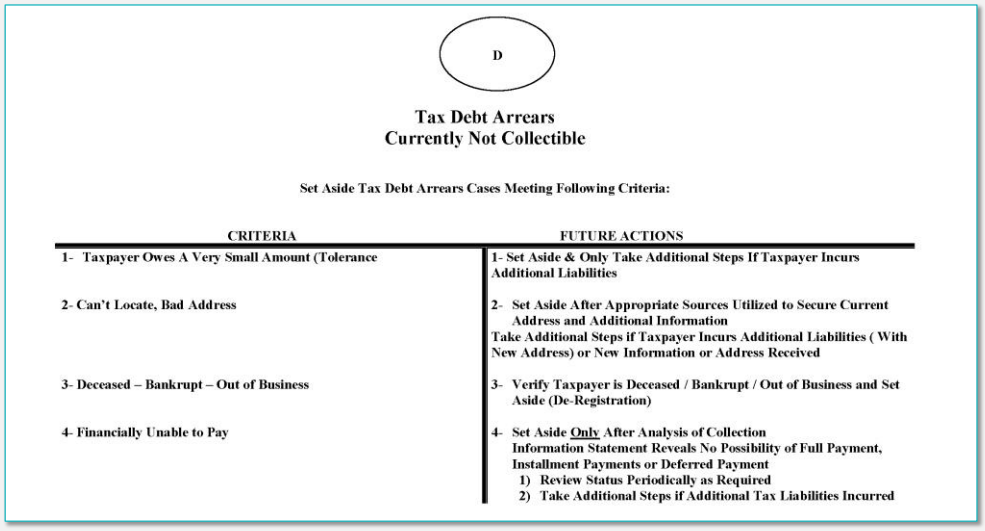


INVENTORY MANAGEMENT

- Case Reviews by Manager
- Workload Reviews
- Compliance Officers Case Review Format
- Itinerary Reviews
- Compliance Officers Daily Report
- Debt Management Case Time Record

CASE MANAGEMENT

- **OBJECTIVE**: Close Cases Using The Most Appropriate Method
- **CONDUCT**: Pre-contact Analysis of Case File
- **RESEARCH**: Identify What is Required
- **SECURE**: Appropriate Information
- **PREPARE**: For Taxpayer Contact
- **IDENTIFY**: What Information and Data is Needed from the Taxpayer
- **DOCUMENT**: In Case File History – Results of Prior Research & Analysis

CASE MANAGEMENT

- **DOCUMENT:** Major Questions For Taxpayer Interview in the Case History
- **DETERMINE:** What Forms and Other Materials May Be Needed
- **ANTICIPATE:** Taxpayer Responses to Compliance Officer Questions

TAXPAYER CONTACTS & INTERVIEWS

- Planning
- Active Listening
- Controlling the Interview
- Technical Skills Required
- Securing Consensus Agreement Regarding Future Actions
- Summarizing the Due Dates and Commitments Made by the Taxpayer

TAXPAYER CONTACTS & INTERVIEWS

- Closing the Interview
  - ✓ Quickly
  - ✓ Professionally
  - ✓ Courteously
- Review Any Forms and Documents Secured
- Document the Case History
- Organize the Case File

TAKING ALL STEPS TO LOCATE TAXPAYER

FULL COMPLIANCE CHECKS

- Determine What Types of Tax Returns Should be Filed
  - ✓ Based on Observation of the Business
  - ✓ Or Conversations With the Taxpayer or Taxpayer's Representative
- Inform the Taxpayer/Representative of the Requirements for Timely Return Filing and Payment – File Returns with C.O.
- Document the Case History Record

SECURING INFORMATION

- In Jamaica What Sources of Information Are Available to the Compliance Officer?
  - ✓ Jamaica Yellow Pages
  - ✓ For Both Businesses and Persons (Find a Person)
  - ✓ Google Web Search by Name
  - ✓ TAJ Information
  - ✓ Other Government Agencies
  - ✓ Public Organizations
  - ✓ Others – List of:

DOCUMENTATION REQUIREMENTS

FOR THE COMPLIANCE OFFICERS

- It Is Very Important
- It Must Be:
  - ✓ Timely
  - ✓ Accurate
  - ✓ Concise but Complete
- This is a "Picture" of Their Work

ARRANGEMENT AGREEMENTS

- What are the Requirements?
- Have They Been Communicated?
- What, When and How?
- What Financial Information Forms the Basis for an Acceptable Arrangement Agreement?
- What Documentation is Required?
- Where is the Documentation?

CLOSING CASES

SUMMARY OF SEMINAR

- Modern Tax Administration
- Tax Debt Arrears Collection Process & Procedures
- Management of Compliance Officers & Arrears Inventory
- Case Management – Caseload Reviews
- Effective Communication
- Effective Taxpayer Contacts

SUMMARY OF SEMINAR

- Interview Techniques
- Collection Information Statements
- Full Compliance Checks
- Investigative Techniques – Securing Information
- Verification & Documentation Requirements
- Negotiating Arrangement Agreements
- Full Compliance Checks
- Reports Preparation & Management

SUMMARY OF SEMINAR

- Enforcement Actions for Tax Debt Arrears
  - ➢ Securing Pertinent Information
  - ➢ Securing Delinquent Tax Returns
  - ➢ Taking Enforcement Actions

SUMMARY OF SEMINAR

AND – THE ANSWER IS:

- ➢ Prompt Initial Contact
- ➢ Demand Immediate Full Payment
- ➢ Conduct Full Compliance Check
- ➢ Secure All Delinquent Tax Returns & Payment of Amounts Due
- ➢ Follow-up, Follow-up, Follow-up, TIMELY!
- ➢ Take Appropriate Enforcement Action Promptly
- ➢ Document All Contacts and Actions Taken

ANNEX G ASSUMPTIONS FOR TAX ARREARS MANAGEMENT ANNUAL PLAN

TAX ARREARS MANAGEMENT (TAM) PLAN FY13-14-MASTER ASSUMPTIONS

ASSUMPTIONS

NUMBER 1: Prior Year New Tax Type Cases. This number is derived from a review of prior year records. This number represents the total of new tax type cases (both Tax Arrears and Compliance Leads, or C-Leads) received during the month. FY13-14 is actual based on new case information from FY12-13. **All inventory information is stated in tax type cases. The number of taxpayers will be lower.**

NUMBER 2:

Prior Year New Tax Type Cases by High, medium, and Low Classificationis determined by using the ending inventory from the prior Plan.

NUMBER 3: Reductions of total time (in days) to reach direct time for casework considers the following required reductions for each employee:
Vacation Days 30 (is variable based on staff tenure)
Sick Leave Days 10
Department Leave Days 10
Training Days 5
Total Days for employees: 55 per year*
*Note: These represent average days that employees are entitled to use. Also total time available reflects those work days/hours available and do not include official holidays in Jamaica. This total is variable based on RSC/LTO.

NUMBER 4: A general 10% Administrative reduction of time, after reductions above in Assumption #3, is taken to account for general office type duties taking personnel away from direct tax arrears Activiities.

NUMBER 5: Experience Rates of closures (the number of average hours per case closure) of a Tax Arrears Case and a C=Lead Case were determined. This number has a relatively low level of confidence due to the changing processes in Tax Arrears and is based upon recent observations of employees. The experience rates are set for both the M PRIORITY and H PRIORITY activities in Tax Arrears. Five hours per case for M PRIORITY activity to resolution and 10 hours per case for H PRIORITY activity to resolution. Also, an experience rate of 3 hours per case for M PRIORITY activity to resolution has been set for C-Lead Cases. All LTO cases will be rated as H Prioity. **These experience rates will continue for Year 2013-14. Data continues to be gathered regarding time to close cases.**

NUMBER 6:

The percentage of work for tax arrears and C-Lead Tax Type Cases for FY13-14 will be set at 85% of Direct Time available to tax arrears Tax Type Cases and 15% of Direct Time available for c-Lead Cases, with the exeption of May Pen, St. Ann's Bay, and Spanish Town RSCs. These RSC's will be at 90% DM cases and 10% C-Lead Tax Type Cases. C-Lead casework will be completed in the M PRIORITY Unit. LTO Medium and C-Leads will be worked as H Priority Cases.Note: C-Lead cases will be issued monthly for SO1 Leads and quarterly March, June, September, and December, for all other Leads..

NUMBER 7: The split of employees between M PRIORITY and H PRIORITY activity is set locally based on inventory levels of high and medium work. Each determination is based on assumptions page for that RSC.

NUMBER 8: **COMPLIANCE LEADS, OR C-LEADS, ARE MADE UP OF SPECIFIC PROGRAMS SUCH AS SO1 LEADS; STOP-FILERS; NON-FILERS; AND OTHERS. THE SO1 LEADS WILL BE ISSUED MONTHLY AND WILL HAVE THE PRIORITY; OTHER LEADS WILL BE ISSUED QUARTERLY.**

NOTE: THE INVENTORY REFLECTED IN THIS TAM REPRESENT THE TOTALS OF HIGH AND medium TAX TYPE CASES AND NOT THE TOTAL LEDGERS OUTSTANDING IN TAJ

ANNEX H DATA ELEMENTS FOR FY 2013/2014 ANNUAL AUDIT PLAN

October, 2012

Data Elements needed for FY 2013/2014 Annual Audit Plan

By: PRIDE Jamaica Audit Advisor

The Audit Advisor will make a visit to TAJ in January 2013 for the purpose of working on the annual audit plan. In order to facilitate this effort, the Audit Programmes unit should gather certain data that is needed for input to make calculations and produce a plan.

The data used should be the best available at the time. This means that YTD data for December 2012 will be used for plans formulated in January. It may be useful to observe these data elements even prior to January to begin to get some indication of whether the data appears to be reliable. If data does not appear reliable, or analysts are suspicious about the outcomes, steps should be taken to analyze the process of how it is collected and calculated.

We plan to use national averages for the planning process. One interesting analysis for a data element could be to look at the average for each RSC and to see if there is great disparity in result, or if they are tightly grouped around the national average. Averages will be for each class, so we should expect a similar experience in each RSC for cases that are somewhat similar.

Data elements needed for plan: (All elements are for each class)

1. Time per case year (returns).
2. Case years per taxpayer.
3. Population counts for each class by RSC and total.
4. Number of auditors assigned to audit program.
5. Direct time on audit cases as % of total time (Direct days per year).
6. Expectation of special projects to be conducted in FY 2013/2014 and which classes will be impacted.
7. Changes in strategy for audit programs that will impact plan.
8. Any other factors which will need to be considered in developing the annual audit plan.

ANNEX I PROGRAM GUIDELINES FOR 'PROFESSIONALS' COMPLIANCE PROGRAM

COMPLIANCE PROJECT

For Professionals

Income Tax Non-Filers

2009, 2010 & 2011

PROCEDURES, FORMS AND REPORTS

TAX ADMINISTRATION JAMAICA (TAJ)

Prepared By: Tax Arrears Management Programmes Unit

Senior Tax Administration Advisor

PRIDE Jamaica Project

Revised: November 2012

COMPLIANCE PROJECT FOR PROFESSIONALS INCOME TAX NON-FILERS

1. Introduction

This project originated from work performed by the Programmes & Technical Support Forensic Data-mining & Intelligence Unit (FDIU). FDIU identified a number of taxpayers in the professionals category where there was a high probability of additional income being earned that would be subject to income tax. The FDIU used a variety of third party professionals organizations in order to do this. After screening these potential non-filers against TAJ files, over 1800 Professionals Compliance Leads were generated that will be assigned to the Revenue Service Centres (RSC's).

TAJ agreed to initially conduct a pilot of the program using a sample of 400 professionals compliance leads. The test will be conducted in three (3) RSC's: Kingston (100), Constant Spring (200) and Montego Bay (100) beginning in November, 2012.

The selected leads will be worked by a team of two (2) designated Compliance Officers in each of the 3 pilot RSC's using the guidelines contained in this document. A 'Professionals Compliance Leads Project Activity Report' will be developed to capture the activity and results from this project.

2. Process and Procedures for Compliance Leads Pilot Project

The following processes and procedures will be utilized to conduct the Compliance Leads Pilot Project.

2.1 Secure Data

The FDIU produced a list of Professionals Compliance Leads Income Tax Non-filers and had the potential leads list screened against TAJ records to identify high potential income tax non-filers.

2.2 Issue and Assign Leads

The Professionals Compliance Leads were reviewed and an initial sample of these leads will be issued to the Kingston, Constant Spring and Montego Bay Tax Arrears Management function for assignment to the selected Compliance Officers. The RSC's will provide information to the FDIU and Tax Arrears Programmes Managers regarding which compliance leads were assigned to each of the Compliance Officers. A Tax Return Investigation Record, Form 102, (Attachment 3) should then be prepared by the selected Compliance Officers for each assigned lead. A Tax Return Case History Record, Form 102-A (Attachment 4), will also be used for documenting contacts with the taxpayer and/or third parties, and other actions taken or planned.

2.3 Preparation and Mailing of Form 13-P, Notice to File Income Tax Returns

A Form 13-P for Professionals (Attachment 1) will be prepared and mailed from the Revenue Service Centers to each taxpayer selected for the initial test program. In the 'Please reply to:' section of the notice, the appropriate RSC address and phone number will be included along with the Compliance Officer's name, official email address, office address and contact phone number. Each notice will also specify the timeframe for the taxpayer to respond to the Form 13-P Notice. The Form 13 notices will be mailed using the Jamaica

Post Office first class mail service. The Case History Record for each taxpayer will be noted as to the mailing date of Form 13-P.

2.4 Responses to Form 13-P Notices

Appropriate actions will be taken by Compliance Officers on those compliance lead cases where there is a taxpayer response by return mail, phone call or office visit. Tax returns filed and payments made will be processed for assessment in accordance with established office procedures. Where a tax return is filed and the full amount of tax, penalty and interest is not paid, sufficient information should be obtained by the Compliance Officer to determine if the full payment can be made in a short period of time; or, if an Arrangement Agreement should be immediately secured for payment of the remaining balance due of tax, interest, penalties and surcharge.

In addition, a **Full Compliance Check (FCC)** should be made to determine if the taxpayer is current with all other tax return filing and payment requirements for other types of tax and returns, including GCT, PAYE, Education Tax, etc.

2.5 No Response to Form 13-P Notices - Issue a Form 13-PA Notice

A unique Form 13-P Professionals Notice and a Form 13-PA Professionals – A Notice (Attachment 2) have been developed for the Professionals Compliance Leads Program. Where there is no response from the taxpayer within the required 15 days to the Form 13-P Notice, a Second Notice, Form 13-PA, will be prepared, signed and mailed to each taxpayer by the RSC on the respective lead lists. In the 'Please reply to:' section of the notice, the Compliance Officer's name, location and contact phone number will be included on the notice. Each notice will specify the timeframe for the taxpayer to respond to the Form 13-PA Notice. Form 13-PA notices will be mailed using the Jamaica Post Office first class mail service. The Case History Record for each taxpayer will be noted as to the mailing date of Form 13-PA.

2.6 Form 13-P Notices Returned As Undeliverable

For those Form 13-P Notices returned by the Post Office as 'undeliverable', the Compliance Officer will perform the appropriate research to secure a current address and/or phone number contact information for the taxpayer. If a new address is secured, a Form 13-P will be prepared, signed and mailed to the taxpayer at the new address. Phone contact information that is secured will be recorded in the Case History Record.

2.7 Responses to Form 13-PA Notices

Responses to Form 13-PA Notices will be handled according to the instructions above in Section 2.4, Responses to Form 13-P Notices.

2.8 No Response to Form 13-PA Notices Issued

Where there is no response to the Form 13-PA Notice within 10 days, or the Form 13-PA Notice is returned by the Post Office as undeliverable, an outgoing phone call will be made by the Compliance Officer to the taxpayer. Phone numbers can be secured from a variety of sources including the following: Jamaica Phone Directory White Pages, Yellow Pages, On-line White Pages and Yellow Pages, TAJ files, internet people and business search sites, etc.

2.9 Phone Call to Taxpayers with No Response to Form 13-PA Notices Issued

If a phone number has been secured, the Compliance Officer will make a phone call to the taxpayer and state the reason for the call. An explanation of the Professionals Compliance Lead Program will be given and the taxpayer will be informed that a Full Compliance Check will be conducted to determine if the taxpayer is current with all tax return filing and payment requirements for various types of tax and tax returns including Income Tax, GCT, PAYE, Education Tax, etc.

After the Full Compliance Check, the Compliance Officer will demand that all income tax and other tax returns that the taxpayer is required to file be filed and paid immediately, along with the penalties, interest and surcharges that are due and owing. A specific date will be set for the taxpayer to file and pay all of the tax returns with the Compliance Officer. The consequences of failing to file and pay by the date established will be explained to the taxpayer.

3.0 Follow-up Contacts on Compliance Leads

When the taxpayer does not file and pay the tax returns requested by the Compliance Officer, appropriate follow-up contacts, including field call contacts, will be made, as appropriate for each taxpayer case. **Established TAJ procedures for further actions, including enforcement actions, will be followed by the Compliance Officer.**

3.1 Reports Preparation

The **Professionals Compliance Leads Activity Report** will be prepared on a weekly basis by each of the three (3) RSC's involved in this test project, and the consolidated reports will be prepared monthly by the Tax Arrears Management Programmes Office. The consolidated monthly reports will be submitted to the Deputy Commissioner General, Operations and the Senior Manager Programmes & Technical Support Unit. These weekly and monthly reports will be reviewed and analyzed to determine the program results and provide information regarding potential expansion of the program to all RSC's.

3. Conclusion

A Compliance Project Professional Compliance Leads narrative summary report will be prepared by the Tax Arrears Management Programmes Office on a monthly basis and submitted to the Senior Manager Programmes and Technical Support Unit, FDIU and Deputy Commissioner General, Operations.

ANNEX J FDIU/TAM COMPLIANCE LEADS WORK PLAN FY 2013/2014

Programmes and Technical Support Unit

Forensic Data-mining & Intelligence Unit (FDIU) / Tax Arrears Management (TAM)

Compliance Leads Work Plan FY 2013-2014 (DRAFT)

Item Number (1)	Programme Title & Major Sub-Components (2)	Description of Programme (3)	Responsible Program Analyst (4)	Start Date for Develop-ment (5)	Target Date for Compliance Leads Issuance (6)	Expected Results & Target Date for Completion by RSC's (7)	Performance Measurement Name of Activity Report & Description (8)	Programme Evaluation Report (9)
1.0	Income Tax Filing Compliance:							
1.1	Non-Filers							
1.2	Stop-Filers							
1.3	Taxpayers Filing Nil Returns							
1.4	Estimated Tax Declarations & Payments							
2.	Professionals							
3.	Real Estate Developers							
4.0	PAYE							
4.1	SO 1							
4.2	SO 2							
4.3	SO 1 – No Education Tax Payments							
5.	No ETO 1 Filed for Self-Employed Persons							

Draft

FDIU/TAM Compliance Leads Work Plan – FY 2013/14 (Revised: February 28, 2013) Page 1 of 2

Programmes and Technical Support Unit

Forensic Data-mining & Intelligence Unit (FDIU) / Tax Arrears Management (TAM)

Compliance Leads Work Plan FY 2013-2014 (DRAFT)

Item Number (1)	Programme Title & Major Sub-Components (2)	Description of Programme (3)	Responsible Program Analyst (4)	Start Date for Develop-ment (5)	Target Date for Compliance Leads Issuance (6)	Expected Results & Target Date for Completion by RSC's (7)	Performance Measurement Name of Activity Report & Description (8)	Programme Evaluation Report (9)
6.0	GUEST ACCOMODATION ROOM TAX (GART)							
6.1	Registration Compliance							
6.2	Filing Compliance							
7.	CONTRACTORS LEVY							
8.0	GCT							
8.1	Non-Filers							
8.2	Stop-Filers							
9.0	HIGH WEALTH INDIVIDUALS							
9.1	Non-Filers							
9.2	Stop-Filers							
9.3	Under-reporters							
9.4	Other Compliance Issues							

Draft

ANNEX K COMPLIANCE LEADS BI-WEEKLY ACTIVITY REPORT

COMPLIANCE LEADS BI-WEEKLY ACTIVITY REPORT
INCOME TAX STOP FILERS: FY 2013 - 2014

Report Date as at: _____ *(DRAFT)*

RSC Office:_____ **Prepared by:** _____

	Performance Measures	Opening Balance	Current Period	Closing Balance
FORM 13 1st NOTICE	# of Forms 13 - Compliance Leads issued to RSC			
	# of Referrals from other RSC's - transfer in			
	# of Referrals to other RSC's - transfer out			
	# of Taxpayers not liable for period requested			
	# of Form 13's Available for Delivery by RSC			
	# of 1st Notices Hand Delivered			
	# of 1st Notices Mailed			
	# of Taxpayer Entities Closed			
	# of Taxpayer Entities Deceased			
	# of Taxpayer Entities Unable to Locate			
	Available Notices Inventory before Returned Mail			
	# of Notices Returned Mail Received			
	# of Notices Returned Mail Re-issued			
	Available Notices after Returned Mail			
	# of Tax Returns Filed from 1st Notice			
	Principal Tax Amt - Returns Filed from 1st Notice			
	Tax Paid Amount from 1st Notice			
	# of Taxpayers "No Response" after 16 days			
	# of Taxpayers Requesting Extension of Time to File			
PHONE CONTACT				
	# of Calls made to Taxpayers			
	# of Taxpayers reached by Telephone			
	# of "Out Of Service "Telephone Number			
FORM 13-A 2nd NOTICE	# of 2nd Notices Written by Compliance Officers			
	# of 2nd Notices Hand Delivered			
	# of 2nd Notices Mailed			
	# of Tax Returns Filed from 2nd Notice			
	Principal Tax Amt - Returns Filed from 2nd Notice			
	Tax Paid Amount from 2nd Notice			
	# of Taxpayers "No Response" after 16 days			
	# of Taxpayers "No Response" for Enforcement			
ENFORCEMEN	# of Failure To File Summonses Written			
	# of Failure To File Summonses Served			
	# of Tax Returns Filed from Enforcement			
	Principal Tax Amt - Returns Filed from Enforcement			
	Tax Paid Amount from Enforcement Action			
TOTALS	Total # of Tax Returns Received			
	Total Principal Tax Amount			
	Total Tax Paid Amount			

Compliance Leads Bi-Weekly Activity Report

Annex Compliance Leads Bi-Weekly Activity Report.xls

ANNEX L PROCUREMENT NOTICE FOR TAJ ITAS SYSTEM

INVITATION FOR BIDS

Country: JAMAICA

Project Name: PROCUREMENT OF A COMMERCIAL OFF THE SHELF SYSTEM (COTS) INTEGRATED TAX ADMINISTRATION SYSTEM (ITAS) FOR TAX ADMINISTRATION JAMAICA (TAJ)

Sector: REFORM / MODERNIZATION OF THE STATE

Project #: JA-L1039

Operation #: 2658/OC-JA

IFB #: IFB-TAJ/FAMP/2013-Q1/1-1

Contract/Bid#: TAJ/FAMP/RFP2013/Q1-1

The Government of Jamaica through the Ministry of Finance & Planning as the executing agency, has applied for financing from the Inter-American Development Bank toward the cost of Fiscal Administration Modernization Programme (FAMP) – JA-L1039, and it intends to apply part of the proceeds of this financing to payments under the Contract for a **Commercial Off The Shelf System (COTS) Integrated Tax Administration System (ITAS) for Tax Administration Jamaica (TAJ)**

Bidding will be conducted through the International Competitive Bidding (ICB) procedures specified in the Inter-American Development Bank's Policies for the Procurement of Works and Goods financed by the Inter-American Development Bank (GN-2349-9), and is open to all bidders from Eligible Source Countries as defined in the Policies.

Description of Works

1. A COTS Tax Administration software to be installed;
2. The configuration of the COTS system to facilitate the implementation of all tax types;
3. Data conversion from existing systems for all major tax types;
4. To implement the software application at multiple physical locations;
5. Implement work flow and work allocation management for TAJ core business processes;
6. To Implement a Management Information System (MIS) through training of the TAJ staff in the use of the application;
7. To Implement data exchange with authorized GoJ Entities;
8. To design and implement Interface(s) with existing systems within TAJ.

Eligibility for Bid Submission

To establish eligibility all Bidders must comply with the following criteria at the time of bid submission.

i. Local bidders must submit with their proposals, a valid Tax Compliance Certificate (TCC).

Overseas bidders are expected to obtain a valid TCC if they are selected for contract award, not at bid submission;

ii. Local bidders must submit with their proposals a valid certificate showing that their company is registered with the National Contracts Commission (NCC).

Overseas bidders will be required to obtain NCC Registration if they are selected for contract award, not at bid submission;

iii. Bid Security

Collection of Bid Documents

A complete set of Bidding Documents in English will be available from **February 20, 2013**between the hours of **9:00 am and 4:00 pm (Jamaica Time)** at the address below. A non-refundable payment of **J$3,000.00**or **US$70.00**in cash or manager's cheque payable to Fiscal Services Limited (FSL) is required for each Bid document.

The bidding documents will be delivered electronically to overseas bidders upon payment of the United States Dollar equivalent of the fee via Wire Transfer. Bidders are to contact FSL for further information on this payment method.

Bidders Conference

A bidder's conference will be held at 235B Old Hope Road, Kingston 6 on **March 19, 2013 at 10:00am** Jamaica time. Bidders wishing participate must contact the undersigned by **March 7, 2013**.

Deadline for Submission of Bids

Bids (inclusive of Bid Security) must be placed in the designated Bid box at the address below no later than **May 15, 2013 at 2:00pm(Jamaica Time)**.Electronic and Late Bids shall not be accepted.

Bid Opening

Bids will be opened at the address below on **May 15, 2013 at 2:15pm (Jamaica Time)**.Bidders or their representatives are invited to attend this opening.

The GoJ is not obliged to accept the lowest or any bid and also reserves the right to terminate the bid process at any point before the award of a contract without incurring any liability to any of the bidders.

The Bid documents or further information may be obtained from:

Department Head – Procurement
Fiscal Services Limited
235B Old Hope Road
Kingston 6
Telephone:927-1125-8
Email: procurement@fsl.org.jm

ANNEX M PROCUREMENT NOTICE FOR JAMAICA CUSTOMS RISK MANAGEMENT SYSTEM

INVITATION FOR BIDS

Country:	JAMAICA
Project Name:	RISK MANAGEMENT SYSTEM FOR THE JAMAICA CUSTOMS DEPARTMENT (JCD)
Sector:	REFORM / MODERNIZATION OF THE STATE
Project #:	JA-L1039
Operation #:	2658/OC-JA
IFB #:	IFB-CUS/FAMP/2013-Q1/1-1
Contract/Bid#:	CUS/FAMP/RFP2013/Q1-1

The Government of Jamaica through the Ministry of Finance & Planning as the executing agency, has applied for financing from the Inter-American Development Bank toward the cost of Fiscal Administration Modernization Programme (FAMP) – JA-L1039, and it intends to apply part of the proceeds of this financing to payments under the Contract for a **Risk Management System for The Jamaica Customs Department (JCD)**

Bidding will be conducted through the International Competitive Bidding (ICB) procedures specified in the Inter-American Development Bank's Policies for the Procurement of Works and Goods financed by the Inter-American Development Bank (GN-2349-9), and is open to all bidders from Eligible Source Countries as defined in the Policies.

A Two Stage Bidding Procedure will be adopted and will proceed as follows:

a) The first stage bid will consist of a technical bid only, without any reference to prices, and a list of any deviations to the technical and commercial conditions set forth in the bidding documents or any alternative technical solutions a Bidder wishes to offer, and a justification therefore, always provided that such deviations or alternative solutions do not change the basic objectives of the project. Following evaluation by the Procuring Entity of the first stage bids, the Procuring Entity will invite each Bidder who meets the minimum acceptable qualification criteria and who has submitted a technically responsive first stage bid to a clarification meeting, during which the Bidder's bid will be reviewed and all required amendments, additions, deletions and other adjustments will be noted and recorded in a Memorandum. Only those bidders submitting a technically responsive and acceptable first stage bid will be invited to submit a second stage bid.

b) The second stage bid will consist of (i) an updated technical bid incorporating all changes required by the Procuring Entity as recorded in the Memorandum to the clarification meeting or as necessary to reflect any amendment to the bidding documents issued subsequent to submission of the first stage bid, and (ii) the commercial bid.

Description of Works

1. Installation of the Risk Management Software;
2. The configuration of the system to facilitate risk identification, recording, analysis, profiling and reporting;
3. To implement the software application at multiple physical locations;
4. Training of staff to utilize system;
5. To Implement data exchange with authorized GoJ Entities;
6. To design and implement Interface(s) with existing systems within TAJ.

Eligibility for Bid Submission

To establish eligibility all Bidders must comply with the following criteria at the time of bid submission.

i. Local bidders must submit with their proposals, a valid Tax Compliance Certificate (TCC).

Overseas bidders are expected to obtain a valid TCC if they are selected for contract award, not at bid submission;

ii. Local bidders must submit with their proposals a valid certificate showing that their company is registered with the National Contracts Commission (NCC).

Overseas bidders will be required to obtain NCC Registration if they are selected for contract award, not at bid submission;

iii. Proof of certification from manufacturer(s) to implement and support the systems being proposed.

Collection of Bid Documents

A complete set of Bidding Documents in English will be available from **February 27, 2013**between the hours of **9:00 am and 4:00 pm (Jamaica Time)** at the address below. A non-refundable payment of **J$3,000.00**or **US$70.00**in cash or manager's cheque payable to Fiscal Services Limited (FSL) is required for each Bid document.

The bidding documents will be delivered electronically to overseas bidders upon payment of the United States Dollar equivalent of the fee via Wire Transfer. Bidders are to contact FSL for further information on this payment method.

Bidders Conference

A bidder's conference will be held at 235B Old Hope Road, Kingston 6 on **March 21, 2013 at 10:00am** Jamaica time. Bidders wishing participate must contact the undersigned by **March 14, 2013**.

Deadline for Submission of Bids

Bids must be placed in the designated Bid box at the address below no later than **May 8, 2013 at 2:00pm(Jamaica Time)**.Electronic and Late Bids shall not be accepted.

Bid Opening

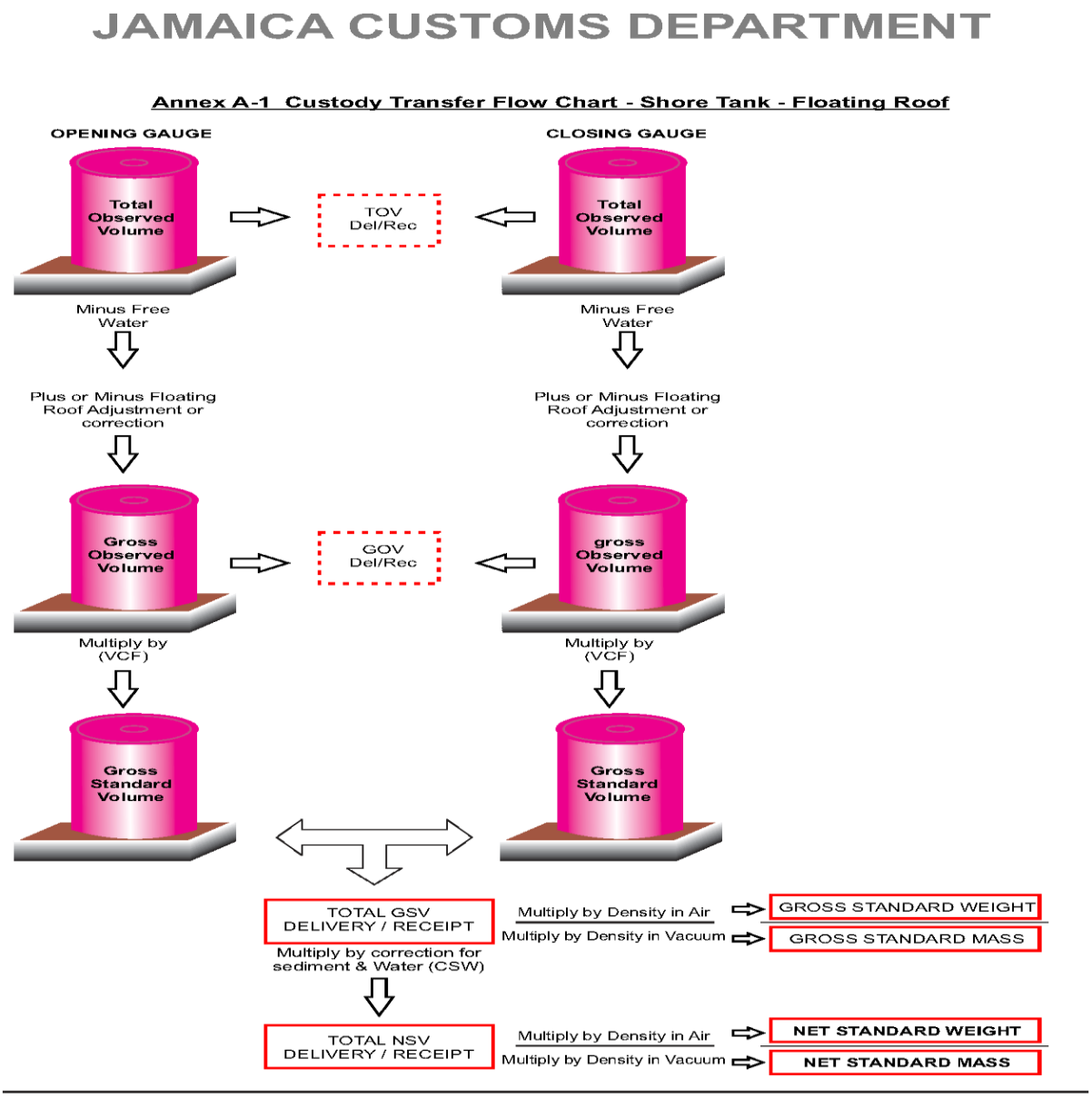
Bids will be opened at the address below on **May 8, 2013at 2:15pm (Jamaica Time).** Bidders or their representatives are invited to attend this opening.

The GoJ is not obliged to accept the lowest or any bid and also reserves the right to terminate the bid process at any point before the award of a contract without incurring any liability to any of the bidders.

The Bid documents or further information may be obtained from:

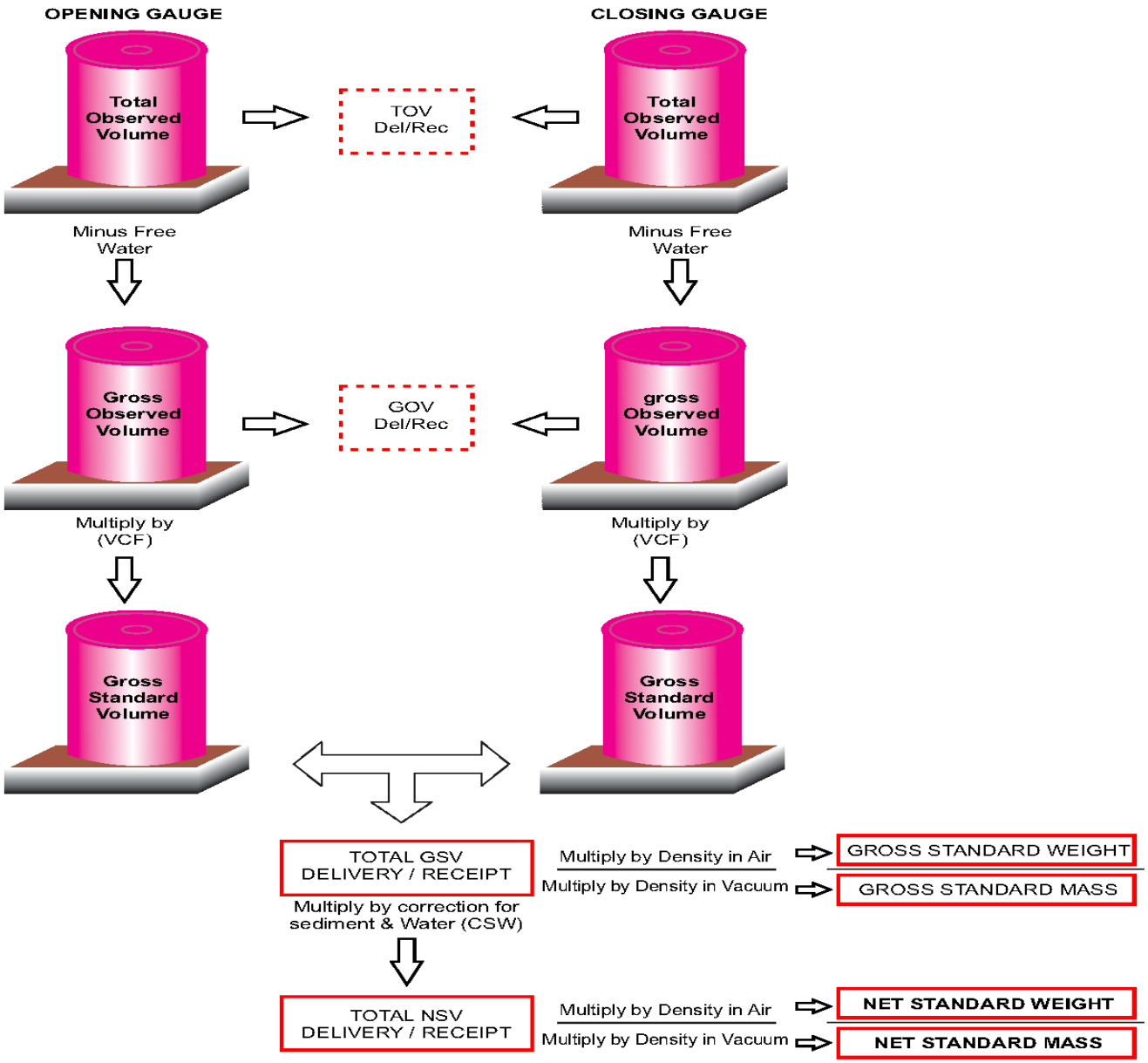
Department Head – Procurement
Fiscal Services Limited
235B Old Hope Road
Kingston 6
Telephone:927-1125-8
Email: procurement@fsl.org.jm

ANNEX N: JAMAICA CUSTOMS DEPARTMENT PETROLEUM TRANSFER MANAGEMENT FLOW CHARTS



JAMAICA CUSTOMS DEPARTMENT

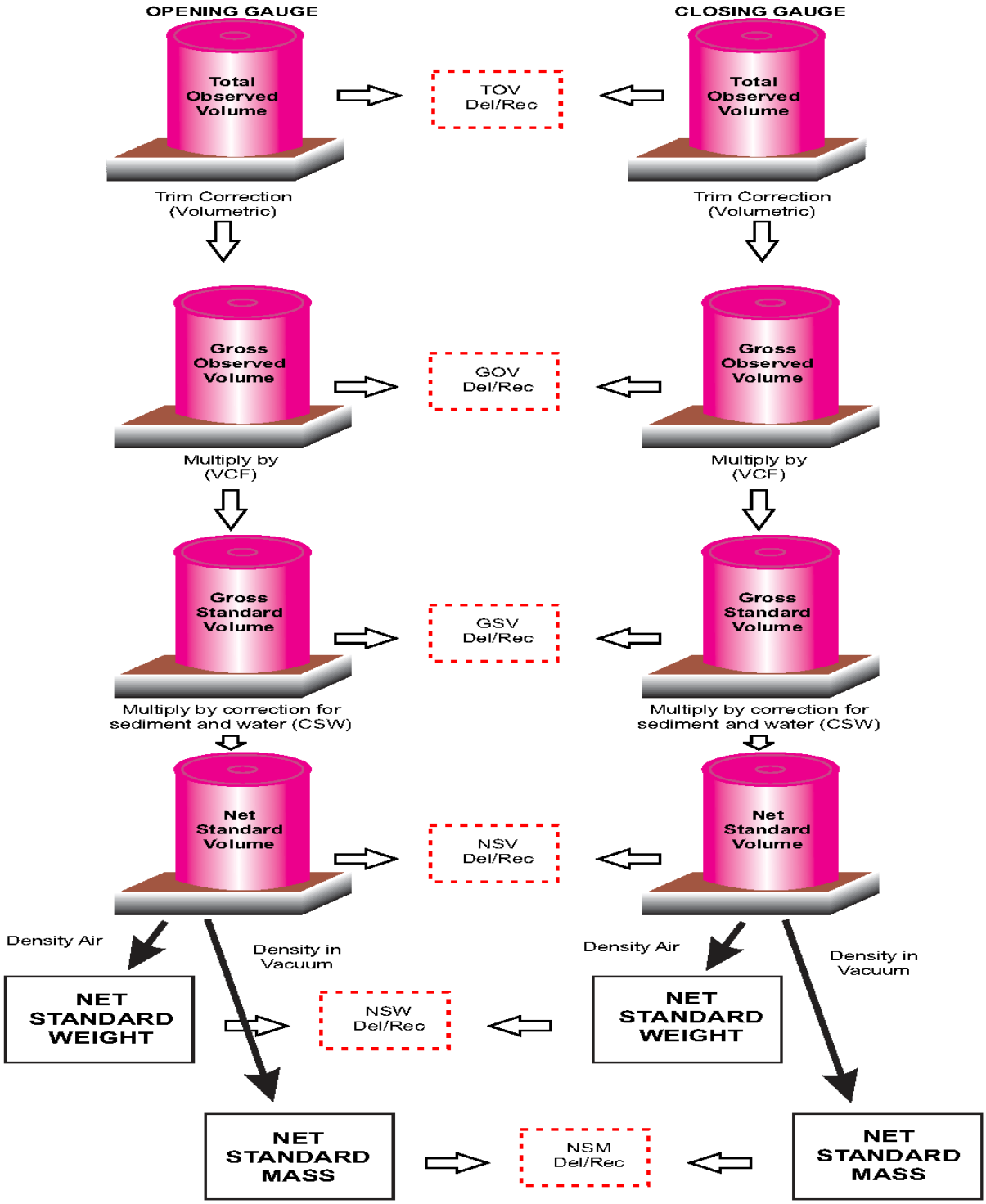
Annex A-2 Custody Transfer Flow Chart - Shore Tank - Fixed Roof



JAMAICA CUSTOMS DEPARTMENT

Annex A-3 Custody Transfer Flow Chart - Marine Vessel / Tanks

Applicable to Coast wise and fuel imports



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Abbreviation

VCF - Volume Correction Factor
GSV - Gross Standard Volume
GOV - Gross Observed Volume
TOV - Total Observed Volume
GSM- Gross Standard Mass
NSV - Net Standard Volume
NSM - Net Standard Mass
NSW - Net Standard Weight
DEL/REC - Delivery and Receipts

ANNEX O

OVERVIEW OF JAMAICA CUSTOMS AEO ACCOUNT MANAGERS TRAINING MODULES

SUPPLY CHAIN SECURITY: THE BASICS

Peter Baish | Gail Dennis-White

Jamaica Customs | Country Above Self

THE FOUNDATION FOR SUPPLY CHAIN SECURITY

- In the immediate aftermath of 9/11/01, concern was that the supply chain would be used to facilitate an attack against the US
- Subsequent attacks in Europe and elsewhere expanded the supply chain security net
- Viable Programs:
  - ✓ Customs Trade Partnership Against Terrorism
  - ✓ Container Security Initiative
  - ✓ Marine Transportation and Security Act (USA)
  - ✓ WCO Authorized Economic Operator

Jamaica Customs | Country Above Self

WHY IS SUPPLY CHAIN SECURITY RELEVANT?

- No significant attacks against ports nor attacks via the supply chain
- 100% radiation scanning at major ports worldwide
- Thousands of firms worldwide have signed on to AEO and C-TPAT
- Customs administrations are shifting focus--danger areas:
  - ✓ Border controls
  - ✓ General aviation
  - ✓ Small vessels
  - ✓ Rail
  - ✓ Air passenger
  - ✓ Air cargo issues
- Big Issue: Benefits of supply chain security investments difficult to discern

Jamaica Customs | Country Above Self

SUPPLY CHAIN SECURITY DEFINED

- "Supply chain security is the application of policies, procedures and technology to protect the supply chain assets (product, facilities, equipment, information, and personnel) from theft, damage, or terrorism, and to prevent the introduction of unauthorized contraband, people, or weapons of mass destruction/effect into the supply chain"
  - ✓ Source: Michael Crutch, IBM
- Issue: How important are these assets to the firm's operations, to shareholder value, to the firm's brand identify?

Jamaica Customs | Country Above Self

THE CASE FOR SUPPLY CHAIN SECURITY: REGULATORY BENEFITS

- Lower Selectivity targeting scores, therefore fewer non-intrusive and physical exams
- Expedited Treatment/Head of the line when designated for exam
- Only designated container held in multi-container shipments
- First in line for processing under heightened alert or actual disruption
- Platform for entrance into AEO programs of other nations (export benefits)
- ID of supply chain risks for other compliance programs

Jamaica Customs | Country Above Self

THE CASE FOR SUPPLY CHAIN SECURITY: OPERATIONAL BENEFITS

- Reduced theft throughout the supply chain
- Reduced overages and shortages, hence reduced safety stock and improved inventory management
- Decreased process deviations--exceptions reduced
- Increased visibility and ability to recognize problems at an early stage
- Reduced cycle times
- Increased supply chain stability:
  - ✓ Reliability
  - ✓ Predictability
  - ✓ Costs
  - ✓ Enhanced Just-in-Time

Jamaica Customs | Country Above Self

EVALUATING RISK WITHIN THE SUPPLY CHAIN: THREAT ASSESSMENT

- Evaluation of external conditions within the region, country, country sub region, and specific locations deemed relevant within the extended supply chain
  - ✓ Political stability (actual power structure, role of military, elections, coups)
  - ✓ Economic conditions (currency manipulation, debt conditions, interest rates business cycle)
  - ✓ Regulatory environment and transparency
  - ✓ Weather issues

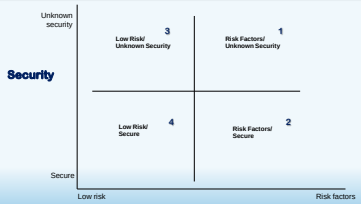
EVALUATING RISK WITHIN THE SUPPLY CHAIN: VULNERABILITY ASSESSMENT

- Vulnerabilities are the gateways by which threats are identified. The vulnerability assessment relates the threats to the supply chain operations to determine points of vulnerability
  - ✓ Building a detailed flow chart of the movements throughout the extended supply chain
  - ✓ Determining which set of threats have the highest potential impact: devastating, severe, disruptive, minor
  - ✓ Identifying points of vulnerability in relation to threats
  - ✓ Considering vulnerability to threats outside historical or contemplated realms
  - ✓ Dealing with the "high impact/low probability" conundrum

EVALUATING RISK WITHIN THE SUPPLY CHAIN: VULNERABILITY ASSESSMENT

- Consider these factors:
  - ✓ Weather conditions
  - ✓ Natural Disasters
  - ✓ Health/disease status
  - ✓ Terrorism (internal related to supplier country, base for international terrorism
  - ✓ Corruption (bribe expectations)
  - ✓ Criminality (local crimes, international organized crime)
  - ✓ Compliance with foreign customs/export control laws

RISK/SECURITY EVALUATION



1=Immediate action required, 2 =Verification of security procedures required, 3=Deferred follow up required, 4=No action required

21ST CENTURY SOLUTIONS

TRADE SECURITY

- Ability to achieve stable processes for carrying out the company's international operations
- Ability to respond quickly and with resilience {1} to changes in the external environment
  - ✓ External disruptions within the range of planning
  - ✓ Gradual, subtle changes that have substantial impact over time
  - ✓ Unexpected changes that were deemed low probability
  - ✓ Unforeseen changes that were beyond the scope of planning, conceptualization or imagination

{1} Resilience: The ability to return to the original state where that is possible. In a larger sense, it is the ability to dynamically reinvent processes, models and strategies as conditions change.

TRADE SECURITY EQUATION

		Supply chain security
Trade Security +		**Supply chain process**
Reduced reputational risk +		**Supply chain resilience**
Reduced legal exposure +	**Is a function of**	**Risk management**
Collateral benefits		**Threat/Vulnerability assessments**
		Business interruption planning
		Security culture
		Business intelligence

SAFE= FRAMEWORK OF STANDARDS TO SECURE AND FACILITATE GLOBAL TRADE

- Twin Pillars
  - ✓ Pillar 1, Customs-to-Customs network arrangements
  - ✓ Pillar 2, Customs-to-Business partnerships
- Seal Integrity Programme for Secure Container Shipments (Appendix to Annex I)
- SAFE is a comprehensive instrument that covers all areas of Customs controls
- Gives equal importance to revenue collection, trade facilitation, and security
- Incorporates modern Customs principles (complements Revised Kyoto Convention)

Jamaica Customs | Country Above Self

SAFE - FOUR CORE ELEMENTS → AEO

- Advance electronic manifest information
- Risk management
- Inspection of high-risk cargo
- Enhanced trade facilitation for legitimate trade

Definition of AEO (Authorized Economic Operator): A party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. Authorized Economic Operators include inter alia manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses, distributors.

Jamaica Customs | Country Above Self

OBJECTIVES OF SAFE

- Certainty and predictability at a global level
- Integrated supply chain management for all transport modes
- Allow Customs to meet the challenges and opportunities of the 21st Century
- Closer cooperation among Customs administrations
- Stronger Customs-to-Business cooperation
- Tangible benefits for businesses
- Seamless movement of goods

Jamaica Customs | Country Above Self

ANNEX P

Compliance Strategy for Jamaica Customs (Draft)

Recommended Jamaica Customs Department Compliance Strategy for International Cargo

REPORT TO THE COMMISSIONER OF CUSTOMS

December 2012

"Customs Agencies in North America have shifted much of their emphasis from import inspections to post audit inspections. The responsibilities put upon Importers of Record have steadily increased as all members of the supply chain endure higher scrutiny from Customs Officials. The ownership and staff of importing firms must spend the time to learn their responsibilities, by clearly understanding the consequences of not following regulations such as:

- Monetary penalties issued by Customs and other governmental agencies
- Increased scrutiny and more frequent examination of goods
- Delays of incoming shipments
- Total suspension of import privileges"

--Website of ABC Customs Brokers, U.S. and Canada Customs Broker

Jamaica Customs Department Draft Compliance Strategy

Background

Compliance[41] is important to facilitation because it allows Customs to focus scant resources on the highest risk importations. Customs services worldwide in recent years have striven to increase compliance levels in various ways.

A comprehensive trade compliance strategy will complement Jamaica's national strategies for gaining operational control at the ports of entry. It also will guide efforts toward a system that is swift, safe, predictable and secure for legitimate imports entering the Jamaican marketplace. The four major goals of the projected trade strategy are to:

- Facilitate legitimate trade and ensure compliance
- Enforce Jamaica's trade laws and collect accurate revenue
- Advance national and economic security of Jamaica
- Intensify modernization of JCD's trade processes

Importantly, this approach, consistent with international norms, reflects JCD's selectivity and post clearance approach to trade facilitation and enforcement through improved automated tools and expanded post-release compliance verification programs to reduce unnecessary delays for legitimate imports at the borders.

Based upon anecdotal evidence and observations of the import documentation, JCD has an importer population that varies greatly in levels of compliance. The complexity of Customs processes is due in part to the large amount of errors that JCD corrects through automated and manual reviews. In interviews with the Jamaican trade community and key Customs officials, private sector compliance levels with Customs regulations were said to be generally poor with some pockets of excellence. Brokers and their importer clients have high error rates running between 5-12% of entry volume.

Less serious errors are not counted but would contribute to a higher percentage. (These errors are corrected on the spot.) Cargo officers at pier and other field locations as well as officers at the Entry Processing Unit (EPU), perform error resolution. Minor mistakes are handled expeditiously but constitute double handling by all concerned. Many of the mistakes are repetitive in nature and involve the same companies. In addition, numerous incidents occur when Customs Officers overlook mistakes during manual reviews. To further complicate the intense manual processing, oftentimes breaches detected by Customs are ignored.

Additionally, the competence of the Jamaican brokerage community varies widely from world-class to adequate to abysmal. Customs brokers who are skilled practitioners of Customs laws and procedures are extremely important to the smooth flow of trade. In the very complicated processes of Jamaica Customs, documents are traded back and forth between the brokers and Customs officials, sometimes 8 to12 times, before a transaction is concluded. Customs tracks the fatal errors and classes the poor performing brokers into a lower tier. Since these Tier 2 brokers are considered more risky, and therefore convey this risk to the importer and his goods, their shipments are examined at a higher rate. Since they primarily charge lower prices than the competition, the second-class brokers are able to stay in business. However, tolerating the

[41] Compliance is defined as a company entering a state of being in accord with a country's Customs and other control authorities laws and regulations.

poor brokers condones poor compliance and is detrimental to a modern and potentially a largely mistake-free Customs environment.

Recommended Actions

1. **Begin to measure errors by both Importer and Broker.**

Typically, errors must be measured and reduced in:

- Classification
- AEO
- Quantity
- Country of Origin
- Other Border Agency requirements

Collected data will be used to counsel and take appropriate corrective action against practitioners and importers.

2. **Encourage companies to place more emphasis on Customs Compliance and improve the quality of their Customs submissions.**

Most companies in Jamaica do not have a dedicated Compliance manager and rely solely on the Broker to handle the "papers". Most Customs administrations put much effort into creating a climate of compliance. Compliant companies[42] consider Customs legal compliance to be important and to warrant high organizational priority.

The following items detail some of the measures that compliant companies take to ensure compliance[43]:

- A Policy Statement is issued stating the importance of Customs compliance.
- Integration of Customs into the company's business process and I.T. system.
- Parts and products are pre-classified and HS numbers are given to the brokers on the invoice.
- Someone important is in charge of Customs Compliance.
- Establish or maintain a Customs Compliance Section that is placed high in the company hierarchy (usually best if in General Counsel or Tax Department).
- Customs experts are on staff and outside expertise is readily available.
- Personnel from key departments are trained in Customs requirements.
- An up-to-date Company-wide Customs procedural manual is available.
- Companies conduct their own Customs audits using statistical sampling and have strong internal control programs.
- Strong corrective measures are taken for deficiencies to prevent recurrence.

[42] These traits should be ingrained and part of the basic functions of the company. Management should be absolutely committed to excellent Customs compliance.

[43] Most companies pay far more attention to tax compliance than import/export compliance. Since Jamaica Customs contributes up to 30% of the national revenue, more compliance by traders is sorely needed.

- There is strong control over suppliers to ensure declaration accuracy.
- The companies monitor and measure the performance of their carriers and intermediaries such as Customs brokers/freight forwarders; holding them to strict standards.
- The company's Customs declaration files are inclusive and are impeccable.

3. Prepare and implement a multi-faceted Trade Strategy

JCD needs to formulate an overall compliance strategy to address these shortcomings. The recommended JCD Customs Compliance Strategy goals that follow are designed to provide assurance that importing industry intermediaries, such as agents, brokers and forwarders, as well as others who comprise the international trading community, are complying with Jamaican legislative requirements in an environment that is largely self-regulated. **A compliance strategy is intended to focus resources and activities on areas of risk, with a management and planning structure supporting risk management that is driven by intelligence and analysis.** Specifically, the strategy should aim to provide the Government and the community with confidence that:

- Reporting of all cargo and vessels entering or leaving Jamaica is accurate and timely.
- Compliance with license and permit requirements, prohibitions and restrictions in relation to imported and exported goods is maintained.
- The correct amount of revenue is paid (no more/no less) or identified for collection or consideration. Community or population protection programs related to imported and exported goods are effectively implemented.
- Accurate and reliable data on trade statistics is provided to JCD for the Statistical Institute of Jamaica.
- Compliant goods are delivered to consignees with alacrity and predictability.
- Individual units and ports give uniform treatment to the variety of imports or other Customs transactions.

The basis for risk-assessing clients and consignments, the planning of compliance activity and delivery of compliance programs by JCD is uncoordinated or has not been undertaken. JCD's activities must be aimed at encouraging compliance. Attempts for intervention by JCD should be directly proportional to the assessed level of risk. JCD needs to be focused on the following key areas:

- Targeting non-compliance
- Real time compliance activity
- Post transaction/Post-Clearance Audit compliance activity
- Continuous planning and performance evaluation

4. Begin Specific Compliance Activities

JCD should conduct compliance activities in the international cargo environment in a manner that reflects how cargo moves, the nature of the consignment, which entity has responsibility for that cargo, and the way clients interact with JCD. Under this approach, the international cargo environment is categorized into four segments:

1. Importers and Exporters
2. Service Providers
3. Cargo Handlers
4. Carriers

To encourage compliance, Customs services worldwide use a variety of tools to encourage (and coerce) compliance for each of the sectors:

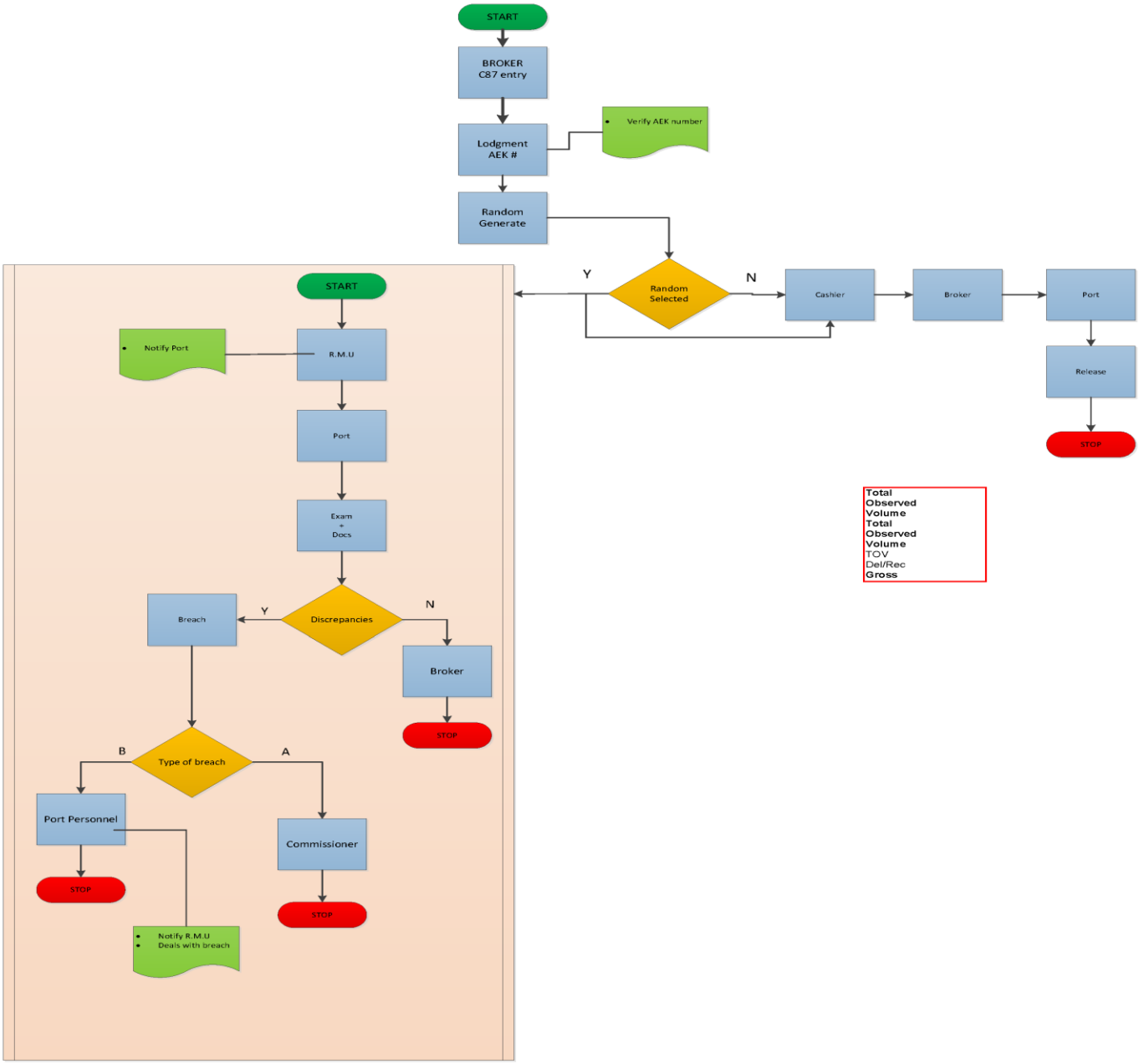
- Compliance Measurement
- General Compliance Audits and Assessments
- Broker Discipline
- Analysis of errors and violations
- Management by Account
- Actively managed automated Cargo Selectivity

Conclusion

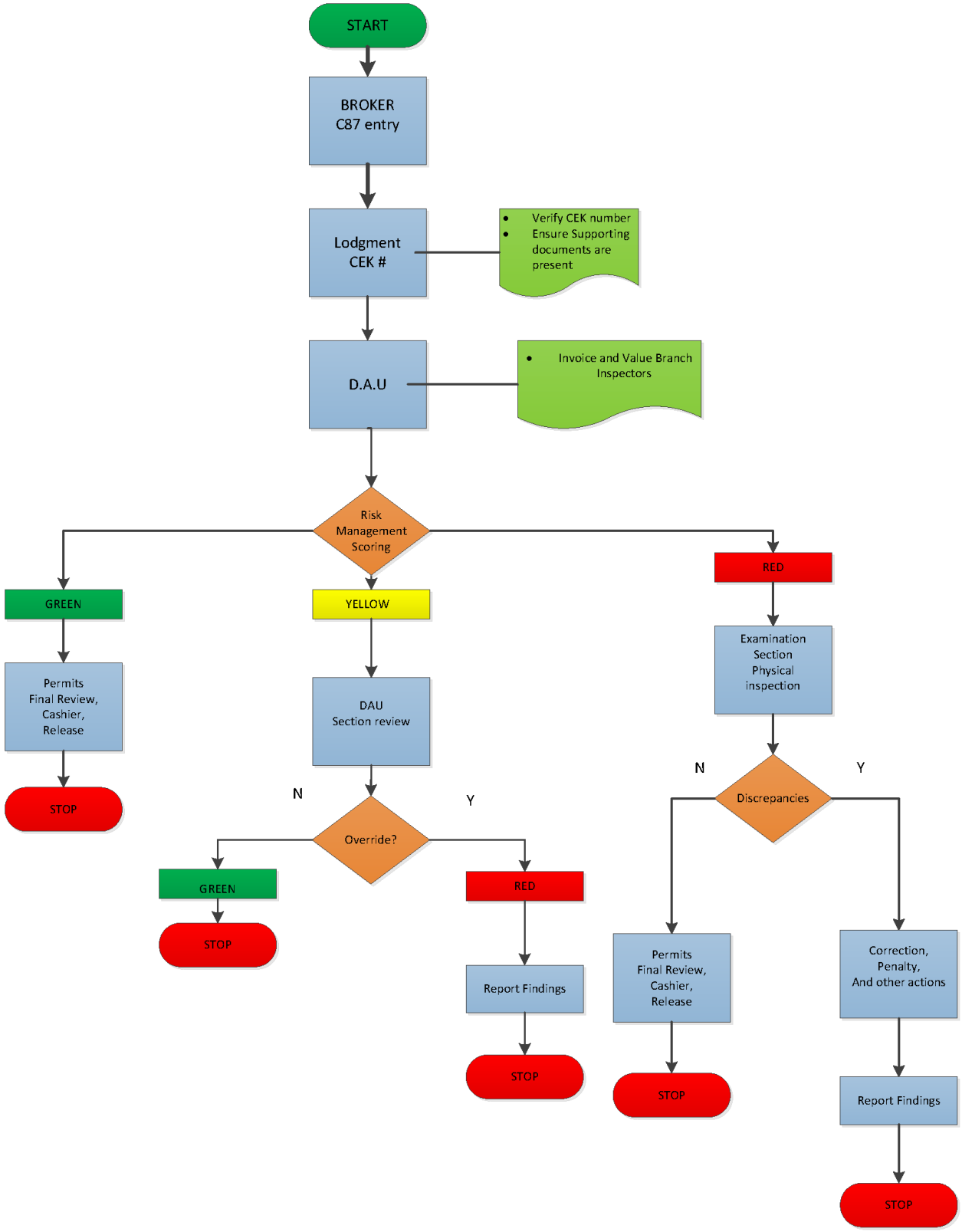
Once a Customs administration focuses on compliance activities, the actual strategy is a focused, multi-year effort that will become a continuous process of compliance measurement. The measurement will identify gaps in private sector compliance that require mitigation. Mitigation efforts are then targeted to significant revenue and enforcement issues.

ANNEX Q

JAMAICA CUSTOMS DEPARTMENT AEK AND CEK FLOWS



PRIDE JAMAICA



Annex R

CUSTOMS ACT PRIORITY AMENDMENTS

Priority Amendments Proposed for Customs Act

Section	Summary	Recommendation	Rationale	Comments
Definition		Commissioner: Delete the "and Excise".	Commissioner of Customs no longer has the responsibilty for excise.	
3	Customs officers have powers/ authority equivalent to those held by police officers.	Amend so that Customs officers have powers/ authority equivalent to those held by police **constables.**	Note that under the Constabulary Force Act (s.2) the term officer is defined as a policeman above the rank of Inspector. This seems to create an impression in the mind of customs officers that they have powers in excess of those possessed by constables even though legal powers of police officers are no more of the police force below the officer rank.	Specifying the powers of the customs officer in the Act would avoid the need for officers to refer to the Constabulary Force Act to ascertain their powers and it would also confirm to the scheme proposed in the outline for the Caricom Draft Customs Legislation .
15	Where any obligation has been incurred for the payment of duties or where any duty has been short levied or erroneously refunded, the amount payable must be paid on demand made by Commissioner.	State time frame in which importer must pay and include a penalty for late payment. 30 days recommended.		
17(2)	Persons must apply stating grounds of objection to Commissioner for review within 3 months of making deposit.	Amend to allow for only 30 days.		

17(7)	Deposit collected under the section must be paid to Accountant General. If ex/ importer does not proceed with review with the specified time, then deposit must be paid into Consolidated Fund. If it is found that the sum deposited is greater than the duty payable, then the difference must be repaid to the ex/ importer, and if it is found that the deposit is less than the duty owed, then difference must be recovered and paid into Consolidated Fund.	State time frame in which Customs must repay deposit. 90 days recommended.		
19(8)	Commissioner has power to change the value accepted by officer. Power cannot be exercised after two years have elapsed from date of entry.	Where the adjustment has the effect of imposing a new liability or altering an existing liability, written notice should be given to Importer/ Exporter. A person liable for the payment of the duty who is dissatisfied with the decision of the Commissioner under subsection 2 may within 30 days after the date of notice appeal to the Commissioner against the decision. If the person is still dissatisfied with review, an appeal should be made to Tax Appeal Department within 30 days.		
19(11)	Ministry may order that Schedule is not to be applied to a particular category of goods for a period of time and state how the customs value of these goods should be determined. Minister's order subject to negative resolution of the HOR.	Link provision re payment of additional duty with s. 15(2) and provision re duty refund to ss. * & 9 above.	S. 15(2) will (with recommended amendment) contemplate the time in which importer must pay over duty short paid etc. These provisions should apply here.	
19A	Persons employed to Customs must keep information and documents concerning valuation and duty assessment confidential Breach of confidentiality is criminal offence. But disclosure by consent of the person providing the information or in accordance with the Act are not breaches of the confidentiality	Wider ambit of exceptions needed to allow information-sharing e.g. with other Tax Departments, and for mutual assistance arrangements with foreign government agencies with written consent of Commissioner and pursuant to court proceedings. Note that under Revenue Admin Act Minister may authorize communication of such information under s.17H Amend to ensure that duty of	Disclosure provision in current form seems rather restrictive and could present an obstacle in customs or money laundering enforcement, for example The duty of confidentiality imposed on Customs officials as it is currently framed is restricted to the valuation and duty assessment functions of	Need to consider how to be fair to users of the Customs under the confidentiality principle and at the same time balance this with the need to accommodate enforcement of the criminal law

	provision.	confidentiality is not confined to information re valuation and duty assessment but covers all relevant functions of the Customs.	Customs.	
23	Minister may, by notice, specify in gallons or gallon fractions the standard capacity for packages of goods whose duties are based on liquid measurement. Packages will be regarded as containing the standard capacity stated in the notice.	Change "Minister" to "Commissioner". Reference to gallons to be deleted substituted more general reference e.g. the appropriate unit of measurement applicable under the weights and measures law.	This power should properly be vested in the Commissioner in keeping with the operational/ policy functional distinctions between the two authorities.	
32(1)	Where a concessionary rate of duty is allowed on special conditions for example to be used for a specific purpose or to be used by a particular person then use for another purpose within 3 years of importation or sale to another person prohibited unless the full duties are paid. If full duties are not paid then goods must be forfeited and a penalty of at least 3 times the duty payable on the goods must be applied. Penalty however must not be more than three times the value of the goods.	Amend this section by replacing "date of importation" to "date of entry".		
35	Goods may be temporarily imported without liability for duty with the permission of the Commissioner under the following conditions a) if temporary importation papers are used that accord with the terms of the International Convention on Touring 1949 or another international treaty relating to temporary importation applicable to Jamaica then the papers themselves will be adequate security and the Commissioner cannot demand an additional security deposit. The goods must be exported within the time stated in the Convention. b) in other cases, Commissioner must require a deposit equivalent to the applicable duty or other security Goods must be exported within 3 months of the time of permission but	It is recommended that a category of importers be created under the Tourism Sector (for e.g. where conferences, filming etc are concerned) and placed under the second schedule.		*Jamaica appears not to be signatory to International Convention on Touring. If this is so, then the allowance for temporary importation in accordance with documents conforming to the terms of the Convention should be deleted.*

	period for exemption is 6 months for goods that are commercial samples.			
43	Generally, rules re: PROHIBITED imports/ exports do not extend to goods in transit or to ship's/ aircrafts stores unless there is express prohibition against their importation in transit or as stores or unless they fall within certain categories of prohibited goods.	Customs to be given specific power to seize goods expressly prohibited from being imported in transit.		*Customs to be given specific power to seize goods expressly prohibited from being imported in transit.*
50	Commissioner must repay sums overpaid as duties within two years of overpayment.	Include deposits so Commissioner obliged to repay these as may become necessary within the time period. It is recommended that the time frame be changed to 90 days in light of the recommendation for Section 17(7).		
54	Officer may open, place, container, box etc on board aircraft/ ship if he has not been allowed access; concealed goods must be forfeited.	Amend so that forfeiture becomes discretionary penalty, add pecuniary penalty.	Pecuniary penalty should be an option since it is easier to administer and avoids disposal logistics/ costs for the Customs in appropriate circumstances.	

55	If there is any unlawful interference with locks, marks or seals that an officer has placed on goods aboard an aircraft/ ship, or if these goods have been unlawfully removed, or if these goods have not been removed for examination in defiance of an officer's instructions then the Master must pay a penalty of $200,000.	Widen provision to include any tampering with goods, packages or any receptacle in which goods are packed. Remove the word “willfully”.	Under current formulation, the application of the section is restricted to situations involving interference with locks, seals, marks placed on goods and to removal of goods.	
55A (1) 55A (2)	Unlawful interference with goods that are in port or are being transported between a port and a customs area, container station, inspection sight, wharf or anywhere else in Jamaica is an offence. Statement as to what acts constitute interference.	Amend definition of "interferes” to include destruction.	Ordinary meaning of the word interference allows for more flexible interpretation and thus less restrictive application of the section e.g. it would include destruction of goods which does not seem to be captured by the current definition.	
55A (3)	Penalty for offence in subsection (1) is a punishable by a fine of $200,000 on summary conviction in RM court. RM may also order forfeiture of goods.	Amend to include a fine not exceeding $500,000.	(NB Interferor is not necessarily importer could be severely disadvantage by the forfeiture.)	*Ensure that s.219 can apply to the offence under 55 A.*
56	The Master of an aircraft or ship who is unable to account for goods found on board by an officer will incur a minimum penalty of three times the duties payable on the goods (maximum penalty of 3 times value of the goods).	Insert "or agent" after Master.		
57	If officers suspect that someone on board an aircraft/ ship or someone who has disembarked an aircraft/ ship has uncustomed or prohibited goods, then the officer may search the person. Officer must forfeit goods if he discovers that a person actually has uncustomed or prohibited goods but has denied that he has them or has refused to answer officer's questions. Officer conducting search in accordance with this provision may not be prosecuted.	Provision should include persons entering and leaving.	Clarify procedure for search of person.	

60	An officer who suspects that goods on board a small ship (100 tons and under) will be dealt with contrary to the customs laws may arrest and detain ship Master if the Master is unable to account satisfactorily for the goods. Master must be taken before RM; if he does not raise satisfactory defence before RM, then goods must be forfeited and Master must pay penalty of $50,000	Amend penalty to allow for $200,000.		
65	Master of any ship/ aircraft which has arrived at a port in Jamaica or other place designated by the Commissioner, must report , within 24 hours after its arrival, its stores and cargo to the Commissioner in the prescribed way	Amend to allow for report to be made 48 hours before arrival of ship and prior to arrival/ departure for aircrafts.		*Consideration could be given to applying the amendment to all types of manifests as well as reports submitted by NVOCC, freight forwarders and other agents.*
72	Unless sufficient reason is given to the Commissioner, Master/ agent must pay a penalty if: ▪ bulk is broken before report is made (contrary to s.66/ 67); ▪ stowage of cargo on aircraft/ ship is changed or a container is opened to facilitate unloading of cargo before the arrival of aircraft/ ship to place of unloading; or, ▪ before the report is made, goods are destroyed or packages are opened without consent of proper officer (does not apply to steamship or aircraft/ ship that have permission to do so).	Amend to include a penalty of $200,000.		*Whether necessary to maintain differential treatment for steamships*

73	Master of aircraft/ ship or agent should hand over clearance from preceding port(s) to the Commissioner if required.	Include penalty of $200,000 for failure to produce if required.		
88(1)	Perishable goods required to be placed in the Queen's Warehouse under the provisions of the Act, may be sold expeditiously by public auction by the Commissioner. In case of non-perishable goods, which are generally not allowed in the Queen's warehouse, the Commissioner may sell them by public auction after giving 14 days notice by publication in the Gazette.	Amend to require notice by publication in daily newspapers circulating in Jamaica.	Gazette not widely read; notice need to reach as wide of a market as possible. Suggested amendment would also be in line with current practice by the Customs.	*Consider whether more than one notice in newspaper should be required within the 14-day period.*
88(2)	Goods that are generally allowed in Queen's Warehouse that are not entered for warehousing or delivery from that warehouse within 3 months of being placed there (or longer time allowed by Commissioner) may be sold by public auction after one month's notice has been given in the Gazette.	Amend to include a publication in the daily newspaper. Additionally, the 3 month time frame should be cut to 2 months for goods to remain in Queen's warehouse.		
88(3)	Proceeds of goods sold under this section must be applied in the following order: 1. duties 2. expense for removal and sale 3. rent and charges to Government 4. freight and other charges 5. owner of goods on application provided that application made within 2 years of the sale. If no claim made, remainder to be paid into Consol Fund.	Amend this provision to exclude demurrage from other charges and allow only one year for balance of proceeds to be applied for by the importer.		

106	If there is unlawful interference of privately warehoused goods, then goods may be forfeited.	Amend to allow for a penalty of $200,000.	Forfeiture may not always be justified by the circumstances of the breach.	
110	If goods entered for warehousing: ▪ are not properly warehoused by the importer; or, ▪ if properly warehoused or properly placed in customs area, are hidden in or removed from the warehouse/ customs area or are illegally transferred from one package to another or illegally mixed, they may be forfeited.	Amend to allow for a penalty of $500,000 or forfeiture or both.		
112(a) & (b)	If a person unlawfully removes goods from warehouse or Customs area or steals, embezzles or unlawfully destroys goods, that individual shall be guilty of an offence and is liable on summary conviction for term not exceeding 5 years.	Include a penalty of $200,000.	Right to compensation should not be subject to Ministerial discretion in circumstances when officer has been convicted. Importer should be compensated as of right in such circumstance.	
119	Goods taken from a warehouse for removal/ exportation or for use as stores must be removed or put on board; ▪ with the consent of the proper officer; ▪ under the supervision of the appropriate officer; ▪ in accordance with the regulations; and, ▪ in accordance with the directions given by the appropriate officer. Goods may be forfeited if these procedures are not	Add alternative pecuniary penalty. It is recommended that this be $200,000 to be tied to each package.	Forfeiture of goods might not be appropriate or even possible in the circumstances of the breach. In some of these cases, the goods might not be accessible by the Customs making it impossible to apply a sanction if forfeiture of the goods remains the only option.	

	followed. If goods are unlawfully taken: ▪ taken away before they are put on board aircraft/ ship for exportation; or, ▪ taken from the exporting aircraft/ ship, The bond given for these goods may be forfeited even if the time stated in the bond for putting the goods on the exporting aircraft/ ship has not expired. In addition, all goods may be forfeited.			
122	Warehoused goods may be sold by public auction if, within 6-months since entry (or longer time as allowed by Commissioner): a) they are not entered for home consumption or stores; or, b) they are not re-exported; or, c) duties on the deficiency, charges and expenses have not been paid. One month's notice of the sale must be given in the daily newspaper published in the Island. Proceeds of the sale to be applied in the following order: ▪ duties owed; ▪ expenses of sale; ▪ rent and charges due to Government; ▪ payment of freight and	Delete "Published in Kingston" and amend 2 years to 1 year within which the surplus may be applied for.		

	other charges; ▪ owner if he applies within 6-months of the date of sale. If he does not apply, then remainder to be paid into Consolidated Fund. If goods cannot be sold at a price to meet duties and charges payable to Government, then they must be destroyed or be disposed of as the Commissioner signified by general direction of the Minister. Warehouse-keeper must pay duties on deficiency in warehoused goods not legally allowed.			
132(5)	Commissioner may demand that applicant for in-bond concession or an existing concessionaire give security of a maximum of $2000 for money judicially determined or admitted as being owed to a visitor by the concessionaire.	Replace "visitor" with "passenger". Increase security amount to $200,000.	Figure needs to be more realistic reflecting perhaps the average price of an item sold by duty-free store and adjusted for the number of items generally purchased by the average visitor to the store.	
150	Locks, marks, and seals placed on goods loaded onto aircraft/ ship by the proper officer must not be deliberately broken or changed; neither must these goods be secretly moved while the aircraft/ ship remains in Jamaica. Master must pay penalty of $50,000 and goods will be forfeited if provision is violated.	Amend to allow for a penalty of $200,000.		

151	No one must export, attempt to export or assist in exporting goods that are prohibited from being exported or goods on which there are restrictions regarding their exportation unless those restrictions have been observed. ('Export' includes loading the goods on to an aircraft/ ship, putting the goods into or off any transferring vessel, taking the goods to any place in Jamaica for exportation). Penalty for breach at least 3 times the import duties payable on the goods; maximum of 3 times the value of the goods and goods must be forfeited.	Amend to allow for penalty of $200,000 and imprisonment term not exceeding two years or both fine and imprisonment.		
159	Loading of passenger baggage and goods for sale to passengers and crew is allowable by Commissioner under any conditions he may specify. But if goods that are not part of cargo or authorized stores are loaded onto or remain on board departing aircraft/ ship, they must be forfeited.	Review penalty. It is recommended That a fine be included of $100,000. Discretion to be given to Commissioner to apply penalty per package or generally or both fine and forfeiture.		
162	Penalty for non-compliance with s.160 or s.161 payable by Master of aircraft/ ship. Penalty for false information in or unexplained omissions in content or payable by the Master.	Amend to allow for a penalty of $200,000.		
163(3)	Master/ agent of steamship must give to proper officer within the specified time a content which must end with a declaration executed in the presence of the officer. Master/ agent must respond to all questions by the officer about the ship and its cargo, stores, baggage, voyage and persons on board. If content is not given to officer or if it has false information or unexplained-Omissions, a penalty is incurred.	Amend for penalty to be $200,000.		

	Minister has power to require, by notice in Gazette, or by notice to the Commissioner, aircraft/ ships to be cleared in any manner stated in the notice. Master/ agent must pay penalty for non-compliance of aircraft/ ship with the provisions of the notice.	Power should be conferred on Commissioner. Consider whether the clearance provisions in the Act should be more concise e.g. statement that aircraft/ ships must not leave Jamaica without being given clearance by the appropriate officer. **Include penalty of $200,000**. Then specify the prerequisites for clearance: documentation required, obligation of Master to answer relevant questions by officer; general compliance with any applicable customs laws.	It is an operational function If clearance procedures demand flexibility, it might be more convenient to reduce the detail in the Act and allow the Commissioner/ Minister to prescribe the requisite details. Regulations can specify any detailed information that forms or documents must have.	
167	Officer entitled to demand the clearance of the aircraft's or ship's Master. If Master does not produce the clearance of or if he does not answer or does not truthfully answer questions by the officer about the aircraft/ ship, its cargo, stores voyage/ flight and the persons on board.	Include penalty of $200,000.	Note: with similar offence in ss.162 & 163, agent liable to pay penalty as an alternative to Master.	
170	Master must pay penalty as well as import duties on missing stores discovered by a boarding officer after an aircraft/ ship what might reasonably have been consumed on the flight/ voyage.	Include penalty of $200,000.		

173	An aircraft/ ship arriving in Jamaica with cargo to be discharged at several local ports may be allowed by an officer to carry goods from any port at which it unloads goods to its port of destination. This, however, does not constitute coastwise trade under the customs laws. Goods that are picked up at local ports must be kept separate from inward cargo. The loading, unloading and conveyance of goods under the provision must be done in accordance with the regulations or with the conditions imposed by the Commissioner. If goods are not dealt with in accordance with these regulations or conditions, they will be forfeited and Master must pay penalty.	Increase penalty to $200,000.		
179	Unless the Commissioner allows otherwise, coastwise cargo must not be unloaded on Sundays or public holidays or on any other day except between 8 a.m. and 4 p.m. Penalty for non-compliance - forfeiture of goods and the aircraft/ ship or vessel used to load or land the goods may be seized by officer until penalty is paid.	It is recommended that a fine of $200,000 be included. Delete time bound provisions.		
182	Master of coasting aircraft/ ship must, on request of officer, produce cargo book for inspection. Officer may make notation in cargo book. If officer discovers on inspection that parcels which should contain imported goods according to the cargo book do not contain such goods, then the goods in those parcels will be forfeited. Officer must also forfeit any imported goods that have not been entered into the cargo book.	Increase penalty to $200,000.		

183	Master of coasting aircraft/ ship must pay penalty if: ▪ he does not produce or correctly maintain or cargo book; or, ▪ goods are found which have not been entered in the book as loaded or are not noted as having been delivered; or, ▪ goods entered as loaded but not delivered are found on board. Officer may also seize aircraft/ ship until penalty is paid.	Increase penalty to $200,000.		
184	Despite any other provisions in the Act, the Minister may gazette a notice requiring Masters/ agents of coasting ship or aircraft to give to the Commissioner before leaving an account of all cargo and stores which have been loaded in a specific manner. Penalty for acting contrary to notice.	Increase penalty to $200,000.		
185	Cargo Book must be in the prescribed form and must contain the information required by the form. Penalty payable by Master if cargo book is not in prescribed form and aircraft/ ship may be seized until penalty is paid.	Increase penalty to $200,000.		
187	Before departing, the coasting aircraft's/ ship's cargo book signed by the Master must be given to the proper officer. The officer must date and sign it, and then return it. A cargo book signed by the officer constitutes clearance for the ship or aircraft. If the Master does not deliver the cargo book to the officer, he must pay a penalty and aircraft/ ship may be seized	Increase penalty to $200,000.		

	until penalty is paid.			
191	A boarding officer may search coasting aircraft/ ship at any time and inspect goods on board or goods that are being loaded or unloaded. He may also inspect any books or documents which should be on board. Master must answer questions by officer about the aircraft/ ship its cargo, flight/ voyage and the persons on board. Master must pay if he refuses to produce the books/ documents; officer may seize aircraft/ ship until penalty is paid.	Increase penalty to $200,000.		
193	If aircraft/ ship that has: ▪ any secret place for hiding goods; or, ▪ any device for running (?) goods; or ▪ imported goods into Jamaica contrary to customs laws; or, ▪ thrown any of its content overboard or destroyed goods in order to prevent seizure then everyone on the aircraft/ ship who is involved in any of these acts must pay penalty and all goods involved must be forfeited.	Amend to allow for a penalty of $500,000. Amend to allow master/ agent to pay. Delete "every person".		*Consideration should be given as to whether forfeiture of goods may occur if there is no offender associated with the offence.*
195(1)	With regard to aircraft or any ship of or exceeding 250 tons burden, on board or in respect of which any offence against section 193 shall be committed, such aircraft or ship ships of 250 shall not be forfeited for such offence, but the following provisions shall	195(1) where it states, "<u>but</u> the following provisions shall apply". Amend "shall not be forfeited" to "may not be forfeited". 195(1)(a) amend to read "the		

	apply.	Commissioner shall have the power subject to appeal to the Minister, to fine any aircraft or ship in any sum not exceeding 3 times the value of the goods seized." The fine in 195(1) (b) should reflect this as well. The penalty of $500,000 in 195 (1) (c) should be amended to read "not exceeding $2 million.		
196	A ship in Jamaican waters must bring to on the appropriate signal by a customs or State vessel. If it does not, the ship will be chased and if anyone on board destroys or throws overboard the ships content, the ship must be forfeited.	Include penalty of $500,000 to be payable by any person found onboard craft.		
197	If under the customs laws, an aircraft/ ships subject seizure or examination, it must bring to and remain so as required by an officer. Penalty must be paid by Master for non-compliance.	Increase penalty to $200,000. .		
198(4)	Anyone who: ▪ damages goods in order to prevent an officer from seizing them or from securing seized goods; or, ▪ rescues anyone being held or prevent the apprehension of someone for offences attracting pecuniary penalties or imprisonment; or, ▪ obstructs a boarding officer's access door on a ship or aircraft or obstructs attempt to search ship/ aircraft or person or to	Revise penalty. Consideration given to penalty not exceeding $1,000,000.		

	forfeit goods; or, ▪ attempts to or assists in committing any of the above offences must pay a penalty of for each offence committed.			
198(5)	Anyone who impersonates an officer: ▪ in order to board aircraft/ ship, house or other premises; or, ▪ for any unlawful purpose must serve, on conviction, a maximum term of imprisonment of 3 months with or without hard labour.	Review penalty. Include Penalty of $200,000 or imprisonment not exceeding 6 months or both fine and imprisonment.		
200	Anyone who interferes with an aircraft/ ship or any device used by Customs or by someone to prevent smuggling must pay a penalty.	Increase penalty to $200,000.		
201	If someone, other than an officer, intermeddles with spirits or prohibited goods in the sea, they must be forfeited and person must pay penalty.	Increase penalty to $200,000.		
202	Writs of assistance issued by the Supreme Court are good up to 6 months after the period for which they were issued. Writ enables an officer to enter and search premises, to use force in case of resistance, to open packages and seize any uncustomed or prohibited goods and documents relating to the goods. The seized goods must be placed in the Queen's warehouse.	Amend so that writ may also give officer authority to seize equipment that contain or are likely to contain electronic records/ documents concerning uncustomed, prohibited or restricted goods. Put limit (e.g. 3 working days) on the duration for which such equipment might be seized. Section should allude to the use of reasonable force by search officer to seize items if he is met with resistance.	This will allow the Customs to access electronic information which the form in which many importers and persons transacting with the Customs keep and maintain records. It is indicated that the law in its current form does not allow them to access information carried in computers. Use of the term "reasonable" ensures balance between the rights of the property owner and the need to access premises, information by the government.	*While it was suggested that seizure of record keeping equipment would solve their access problem, an alternative way of addressing the problem is to insert a provision requiring the relevant persons in premises subject to search to operate computer equipment so as to enable search officer to get the information/documents.* *Appropriate penalties would be attached for persons who refuse to operate the equipment. The approach might be useful as an alternative or in addition to the actual power to seize the*

				equipment particularly since access to computer information can be blocked by users in various ways. In addition, it might be useful hiding, destruction or erasure of information or records in order to avoid discovery of an offence.
203	RM or judge may issue special warrant if an officer who has reasonable grounds to believe that uncustomed or prohibited goods or documents concerning those goods are hidden in any place in Jamaica. Warrant would authorise an officer to enter and search the place at any time and to seize the goods and documents found. Officer also entitled to use force if he meets resistance or obstruction to entry, search or seizure.	See above at s.202	See above at s.202	*See above at s.202 (But review the need for both s.202 and s.203). Note that admissibility of computer-generated evidence would be subject o ss.31G and 31H of Evidence Act which basically require proof that computers were functioning properly before the evidence is admitted for the truth of its contents.*
204(1)	Officer is empowered to stop and inspect any carriage if he reasonably suspects that uncustomed or prohibited goods are in it. Officer may not be sued or prosecuted if he does not find any uncustomed/ prohibited goods. Driver/ conductor of carriage who does not stop or allow the inspection must pay a penalty.	Increase penalty to $200,000.		
207	Subject to s.208, a person convicted of a customs offence for which there is no specific penalty must pay $10000.	Amend to allow for a penalty of not exceeding $500,000.		

209(2)	Maximum penalty for these offences is the higher of $500,000 of 3 xs value of goods to which offence relates.	Amend to allow for a penalty not exceeding $1,000,000 or treble the value of the goods to which the offence relates, whichever is greater.		
210(2)	If a person arrested for s subs (1) offence appears in court and the judge believes that the value of the goods is less than $10000, the judge may deal summarily with the case without any information. Minimum penalty on conviction is the value of the goods and maximum is 3 times the value of the goods plus duties payable. Failure to pay will result in maximum prison term of 1 month.	Amend to allow for imprisonment term not exceeding six months.		
211	If importer/ exporter intentionally hides goods in order to mislead customs officers or if a package of goods does not conform with the relevant entry, the goods must be forfeited and importer/ exporter must pay minimum penalty of 3 times the import duties payable. Maximum penalty is 3 times the value of the goods.	Amend to allow for imprisonment term not exceeding six months or to both that fine and imprisonment.		

214	Subject to s.195, forfeiture must be applied to aircraft/ ship, carriages or anything used to import, export or move uncustomed, prohibited or restricted goods as well as goods liable to forfeiture under the customs laws. Anything to be forfeited or persons to be detained for customs offences may be seized/ detained anywhere by anyone employed to prevent smuggling or anyone authorized by the Commissioner to seize/ detain these things/ persons. Seized items must be put in the care of the Commissioner. Forfeiture of aircraft, ship, carriage, etc includes its tackle, apparel and furniture; forfeiture of goods includes their packages and everything in the packages.	Amend the provision to make it clear that forfeited goods may be seized by officer at any time after forfeiture arises irrespective of whether persons who may be associated with the offence giving rise to forfeiture (e.g. under s.210) have been apprehended, detained or convicted in connection with the offence to which the forfeiture is linked. Provision will also need to state forfeiture arise at the time that the offence giving rise to the forfeiture is committed.		*The suggested amendment probably needs to be fine-tuned. Ii is suggest that a provision be included to protect goods liable to forfeiture (except for prohibited goods) that are in the hands of an innocent third party (i.e. someone without knowledge that they are forfeited goods). While officers would be able to seize such goods, the right to forfeit the goods to the Crown would be subject to circumstances in which the third party acquired possession of the goods. Secondly, I suggest that except for prohibited goods there should be a time limit on the right to seize goods liable to forfeiture.*
215(1)	Unless seizure done in presence of offender, Master/ owner, officer must give written notice of the seizure and the reason for it to the Master/ owner of the items seized either by delivering it to him personally or by posting it to residence or business place. All seized items are considered to be condemned and may be sold or disposed of as the Minister may direct unless Master/ owner gives written notice to the Commissioner within 1 month of the seizure claiming the items. If the notice is not served then, forfeiture/ condemnation proceedings must be started. If animals or perishable items are seized however, the Commissioner may direct that they be sold immediately by public auction. Sale proceeds must be held pending the outcome of any legal claim.	Amend to allow for other methods of communicating notice e.g. by registered post and publication in the daily newspaper. Specific time that notice is deemed to have been received, which might differ for each method. Amend to let the 1 month start running from the time that the notice has been served or considered to have been received.	This addition closes the door on a challenge to the seizure on the grounds that notice was not actually received.	*Consider whether the seizure may be challenged if the customs did not send the notice under this section.*

223(1)	Importer/ exporter or any person concerned must produce, if required by an officer, any documents relating to the importation/ exportation or the date of entry. Importer/ exporter must answer questions concerning the goods or execute declarations and provide evidence of the description of the goods as well as the place from which the goods were imported or transshipped. Neglect or refusal to carry out the requirements of t section makes importer liable to maximum penalty of $500000 and subject to s.212, Commissioner may disallow entry or delivery of the goods or prevent shipment of the goods or he may subject the entry, delivery or shipment of the goods to any terms and conditions including payment of a deposit as he considers appropriate pending the production of the documents/ declarations.	At line 3, amend 3 years to 2 years. Please insert the words "not exceeding" after the words "penalty of not less than". Amend to make clear that if Commissioner elects to allow entry/ delivery of goods, the deposit is payable in lieu of payment of the penalty. Insert a subsection 4 to read: a)The Commissioner may by notice in writing require a person as and when specified in the notice to produce for inspection by any officer, document or records that the Commissioner considers necessary or relevant to: i An investigation; or, ii) An audit under t act b) Include the allowance of 30 days after notice issued for production of documents. If the Importer/ Exporter or other person concerned as aforesaid shall neglect or refuse to comply with a request under the section, that person shall incur a penalty of not less than $500,000 for each declaration and $10,000 for each day after the expiration of the notice.	Clarification required. Section open to alternative interpretation that penalty must be paid even if Commissioner elects to enter goods on condition of deposit etc.	
3rd Schedule	Part III Item 20 – Sporting Goods	It is recommended that this section reflects that contained in the 3rd Schedule Item 70 of the GCT Act whereby said goods for the use of an educational institution approved by the Minister of Education solely for education purposes is certified by the responsible officer of such institution.	It is the view that much revenue is lost due to the absence of this restriction.	