

# **Jamaica Tax Administration Reform and Performance Research**

*Submitted by the*  
**Institute of Law & Economics**

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## LIST OF ACRONYMS AND ABBREVIATIONS

ATO	Australian Taxation Office
BOJ	Bank of Jamaica
CG	Contractor General
DTT	Double Taxation Treaty
ETC	Employment Tax Credit
FSC	Financial Services Commission
GCT	General Consumption Tax
GART	Guest Accommodation Room Tax
HEART	Human Employment and Resource Training
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IRD	Inland Revenue Department
ITA	Income Tax ACT
LAC	Latin America & the Caribbean
LTO	Large Taxpayer Office
MOFP	Ministry of Finance and Planning
MSMEs	Micro Small & Medium Sized Enterprises
NCP	National Compliance Plan
NHT	National Housing Trust
NIS	National Insurance Scheme
OECDs	Organization for Economic Co-operation and Development's
PAYE	Pay-As-You-Earn
PICA	Passport, Immigration and Citizenship Agency
RAA	Revenue Administration Act
RA-GAP	IMF's Revenue Administration – Gap Analysis Program
RAiS	Revenue Administration Information System
SARA	Semi-Autonomous Revenue Authority
SCT	Special Consumption Tax
SEMCAR's	Supporting Economic Management in the Caribbean
TAAD	Taxpayer Audit & Assessment Department
TAJ	Tax Administration Jamaica
TASD	Tax Administration Services Department
TCC	Tax Compliance Certificate
tCMP	Tax Collection (Miscellaneous Provisions) Act
TRN	Tax Registration Number
TWA	Tax Withholding Agents
USAID	United States Agency for International Development
WHT	Withholding Tax

## BACKGROUND AND INTRODUCTION

Jamaica's first tax system was introduced in 1664 by the English Governor, Sir Thomas Modyford. Income Tax was introduced in Jamaica at the end of World War I by the Income Tax Act of 1919 and came into operation in 1920. There was an initial resistance to the levying of taxes on income, but over the years taxpayers have grown accustomed to income tax.

The 1919 Income Tax Act provided for:

1. Tax to be charged for 1920 on the income of 1919 and thereafter for each subsequent year on the income of the preceding year.
2. Return of Income to be rendered by every person liable to pay tax.
3. An Assessment Committee to assess the tax and thereafter notify the taxpayer and the Collector General, who was charged with the duty of collecting the tax (a convenient arrangement) since the Collector General's Department had officers in various parts of the Island.

The original Act also provided for the appointment of persons to assist taxpayers in completing their income tax returns and, their convenient island wide organization, Collectors of Taxes were appointed the first assistants. The method of determining a person's tax liability by reference to the income of the preceding year remained the same up to 31<sup>st</sup> December, 1952, after which two major changes were introduced.

1. The Income Tax (Employment) Act of 1952 paved the way for the introduction of a Pay-As-You-Earn (PAYE) System from the 1st of January 1953. Employees then became liable to pay tax on their wages and salaries as they were earned. Other sources of income remained taxed on the income of the preceding year. This included all income such as that from trades, businesses, professions, vocations, investments and rents.
2. In 1954, the Income Tax Law was consolidated into one Act – Act 59 of 1954 (hereafter called the "ITA"). The ITA provided that all income, profits and gains were to be taxed on the actual income of the year of assessment – that is, the year to 31<sup>st</sup> December. The ITA also brought into effect "self-assessment", which was based on the concept of the taxpayer's voluntary compliance with the Income Tax Law. Under this system, the taxpayer pays during the year of assessment and by the 15<sup>th</sup> March in the following year, he/she makes a return of income accompanied by a statement of his/her actual tax liability showing the amount, if any, of the tax that remained unpaid. Such tax remaining unpaid was deemed to be the subject of an assessment with the due and payable date being 15<sup>th</sup> March. The taxpayer would therefore assess himself/herself and pay his tax without the intervention of the Commissioner or a Collector of Taxes.<sup>1</sup>

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<sup>1</sup>[www.taj.gov.jm](http://www.taj.gov.jm)

This research seeks to highlight the progress that Tax Administration Jamaica (TAJ) has made in implementing policies and infrastructure to achieve improved compliance among taxpayers. This paper focuses mainly on Income Tax compliance, however General Consumption Tax (GCT) and other tax types are mentioned where necessary.

Jamaican policy makers will be made more aware of the specific trends in filing and payment compliance and the recommendations to improve filing and payment compliance of businesses in Jamaica. With knowledge of the trends in tax compliance and the key reasons for tax non-compliance, policy makers' attention will be directed towards taking steps to alleviate the problem. Filing and payment compliance is particularly important when the government faces poor fiscal conditions such as serious fiscal deficits and global economic recessions.

Various studies have been undertaken to determine, as accurately as possible, the factors that impact tax compliance behavior, undoubtedly, the Government of Jamaica should consider seriously the characteristics of non-compliant taxpayers, review current regulations and possibly as a result, increase audit rates and penalty rates(enforcement) as well as attempting to build good relationships with taxpayers in seeking to improve general tax compliance levels.

# 1 JAMAICAN PRACTICE

## 1.1 Encourage compliance and detect and deter non-compliance

Encouraging compliance and detecting and deterring non-compliance is analyzed below with a focus on four main areas:

1. The Legislative Framework
2. Structure of Returns
3. The factors that affect compliance
4. Sanctions for non-compliance

### 1.1.1 The Legislative Framework

#### 1.1.1.1 The Self-Assessment System

Tax Administration Jamaica (TAJ) operates a self-assessment system by the ITA of 1964 which is still in existence today. Taxpayers are required to file two returns by the 15th March each year – a return of income and tax liability for the year just ended and a declaration of estimated income for the current year of assessment. The annual return of income must be a true and correct return of the whole of the taxpayer's income from every source whatsoever. Section 71(a) of the ITA states that "...every person in each year of assessment must file returns in such form and containing such particulars, as may be prescribed, regardless of whether that person:

1. is liable to pay income tax in respect of that year of assessment; or
2. has income from any source for that year of assessment."

This applies to a corporate body registered under any enactment, a trust or other institution (whether incorporated or not) that is registered as a charitable organization under the *Charities Act*; and any person (including an individual) who carries on, or has carried on, a trade, profession, vocation or business.

#### 1.1.1.2 Establishment of TAJ

In an effort to improve efficiency and achieve greater coordination of efforts, The Revenue Administration (Amendment) Act (RAA) 2011 was passed on April 1, 2011 paving the way for the dissolution of Taxpayer Audit & Assessment Department (TAAD), Inland Revenue Department (IRD) and Tax Administration Services Department (TASD) and the creation of TAJ on May 1, 2011. Additionally, legislation was passed on March 28, 2013 that established TAJ as a Semi-Autonomous Revenue Authority (SARA) under the Tax Administration Jamaica Act, 2013.

The changes to the RAA also established the position of a Commissioner General (CG) to have full responsibility for the administration and enforcement of the tax laws, with the support of three (3) Deputy CGs having responsibility for Management Services, Operations and Legal Support.

### **1.1.1.3 National Compliance Plan**

A National Compliance Plan (NCP) has been published by TAJ which outlines the compliance approaches that the TAJ intends to use during Fiscal Year 2015/16 and beyond in ensuring that the projected taxation revenue collection targets are met. The NCP specifies the compliance activities to be undertaken by the TAJ and is focused on improving voluntary compliance and reducing the costs of compliance in the key compliance risk areas of registration, filing, payment and correct reporting. The NCP is a key element in this governance structure and is integral to the TAJ's Tax Compliance Model in improving tax compliance.

The model is built on three pillars: **Service, Education and Enforcement**.

1. **Service:** making compliance activities simple, easily accessible and of high quality, thus improving compliance and reducing the administrative cost of compliance;
2. **Education:** to assist stakeholders in understanding their tax obligations and rights to ensure compliance with tax laws,
3. **Enforcement:** to detect and deter potential non-compliance and ensure that sanctions are proportional to the offence.<sup>2</sup>

### **1.1.2 Structure of Returns**

Significant attempts have been made by the TAJ in its thrust to simplify the filing and payment process for taxpayers. One such process improvement was the redesigning and simplification of various tax return forms during 2010-2015, all in an effort to increase filing and payment compliance. Some of these forms include;

1. **Statutory Returns of Employers** – In 2011, amalgamated forms S01 and S02 were introduced allowing employers to prepare a single report for monthly and annual obligations for taxes and statutory contributions, respectively. The project is collaboration between TAJ, the National Housing Trust (NHT), National Insurance Scheme (NIS), Human Employment and Resource Training Trust / National Training Agency (HEART Trust NTA) and the Ministry of Finance and Planning (MOFP).
2. **Self Employed Persons** –In 2014, a single form (S03) was introduced to facilitate quarterly estimated payments by self-employed individuals. Effective January 1, 2015, the Self-employed Persons Annual Return of Income, Taxes and Contributions form(S04) was introduced for use by self-employed persons. This consolidated form allows individuals to report on their annual income tax, education tax, as well as their individual NHT and NIS contributions, resulting in a more efficient way of filing and paying taxes. The S04 form replaces the IT01, ET01 as well as the NHT and NIS annual declarations, which previously had to be completed and submitted to three (3) separate agencies, with separate payments. A consolidated estimated return form S04a has also been introduced, to be used by self-employed persons to report their projected income, taxes and statutory contributions. Such persons will therefore no longer use the form IT07 to declare their estimated income tax.

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<sup>2</sup> NCP, 2015

The Tax Portal was upgraded to allow for the new S04 and S04a to be filed and paid online. However, persons still have the option of filing their returns manually at any tax office island wide. The introduction of the S04 and S04a is another step in the government's amalgamation project, aimed at making it easier for persons to do business.

3. **For companies**, the IT02 return has been revised now requiring persons to indicate whether they are categorized as a regulated or unregulated company. In general, all the annual income tax returns have been amended to capture changes in the varying rates for dividends. The forms have also been adjusted to include a separate line to identify partnership income. The declaration section of the forms has been amended and now requires that persons, who prepare the tax return, provide their details, such as their name, TRN and contact information.

The use of the Estimated Income Tax Return, IT07, has been adjusted. Companies and other organizations will continue to use the Estimated Income Tax Return for both filing and payment. The revised Income Tax Return forms are accompanied by explanatory notes and an instruction booklet. The revised forms may be filed manually or electronically. Since January 1, 2015 revised General Consumption Tax (GCT) return forms were put in effect and were designed for online filing.

The revisions to the Tax Return Forms will allow TAJ to capture additional information making it easier for the administration to process tax returns.

### **1.1.3 The factors that affect Filing Compliance**

During FY 2013/14, the TAJ identified the following factors that affect filing compliance:

1. The lack of effective computer support to assist TAJ compliance staff manage filing non-compliance.
2. The lack of an effective penalty regime or enforcement and prosecution capability.
3. The lack of systematic follow up to late filing reminder letters and final notices.
4. Little impact from press & web communications issued regularly to increase filing rates.
5. The lack of penalty and interest sanctions for non-compliance with the income tax quarterly installment system had not encouraged compliance
6. Practices, such as taxpayers lodging “nil” returns to stop the filing clock, then subsequently lodging a correct return many months later or none at all
7. Issuing best judgment assessments to non-filers only to then receive an objection.<sup>3</sup>

The TAJ contended that, as a result of the above, there was no consequence for taxpayers below the top 5% for not filing on time or close to time. Approximately 50% of registered taxpayers do not file tax returns and other information, such as quarterly income tax estimates by business taxpayers and the self-employed, on-time or close to time. Timely filing rates for GCT monthly returns are considerably better but nonetheless well below projected rates.<sup>4</sup>(see Appendix 1, Table A.1)

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<sup>3</sup> NCP. 2015

<sup>4</sup> NCP, 2015

### *1.1.3.1 Strategies Implemented to improve Filing compliance and to ensure efficiency*

The TAJ has introduced a number of strategies geared at improving filing compliance and efficiency. The major strategies implemented include;

1. The introduction of the Revenue Administration Information System (RAiS) - This has significantly addressed the shortcomings of the system that contributed to filing non-compliance noted above.
2. Strengthening of the Large Taxpayer Office (LTO) - This involves the close monitoring of large taxpayers by LTO Customer Service Officers.
3. Filing reminders to Large Taxpayers.
4. E-filing option - Introduced to improve the ease with which taxpayers file tax returns and for employers to file annual employment summaries. TAJ posits that while there has been a successful uptake in the online filing option, the e-filing initiative is largely making things easier for compliant or near-compliant taxpayers.
5. Requirement for a Tax Compliance Certificate - A Tax Compliance Certificate is required for tendering for government jobs and on applications for specific licenses (Customs Broker, Quarrying). While this encourages affected taxpayers to lodge tax returns in order to obtain a compliance certificate, the certificate itself only attests that you have lodged and paid, not that you have lodged and paid a correct return on-time and are thereby complying fully with your taxation obligations.
6. Third Party Information - Amendments to the Revenue Administration Act 2013 give the CG of TAJ the authority to request third party information from companies & other businesses, government ministries, departments and agencies. This information is used to corroborate the information filed by taxpayers or used in arriving at an assessment.
7. Introduction of the Employment Tax Credit - The Fiscal Incentives (Miscellaneous Provisions) Act gave rise to amendments to the Income Tax Act by insertion of section 32A, which introduces the Employment Tax Credit (ETC). This legislation became effective on January 1, 2014.

The Employment Tax Credit (ETC) is an income tax credit which is allowed to an eligible person. An eligible person is an employer who is engaged in a trade, profession or vocation or the rental of approved hotel accommodation. The ETC seeks to;

- ✓ reduce labour cost,
- ✓ increase after tax profit,
- ✓ lower the effective rate of Income Tax.

Both the employees' and the employers' statutory contributions are eligible for credit. In order to be eligible for ETC credits, the employer must

- ✓ file the S01 on time,
- ✓ pay over his relevant statutory deductions and contributions on time.

The self-employed (employer) must file and pay over his personal statutory obligations on time in addition to filing the S01 return for the employees and make the payments on time. Where a self-employed individual employs its staff through a service company established solely for that purpose and which is wholly owned by such an individual or partners, the individual (or partners) may claim the ETC with the approval of the CG.

8. Introduction of Withholding Taxes on Specified Services
  - a. Withholding Tax (WHT) on Specified Services was implemented on September 1, 2015. The Withholding Tax on Specified Services targets persons liable to income tax but who are non-compliant and/or may not be in the tax database. It is expected that this tax measure will result in a broadening of the tax base, increased compliance and improved revenue collection.
  - b. The Withholding Tax is imposed on specified services at a rate of 3%. The taxpayer will be entitled to claim as a tax credit, the amount withheld in the year of assessment. However, any excess credit for that year of assessment may be claimed as a refund or carried forward for utilized in a future year of assessment.
  - c. The Withholding Tax on Specified Services is being introduced on a phased basis; the first phase is applicable to: accounting, auditing, catering, consultancy, decorating, engineering, entertainment, information technology, janitorial, laundry, landscaping, legal, management, repairs and maintenance – to buildings and motor vehicles, the rental or leasing of motor vehicles or equipment, transportation of people and goods, haulage of goods or tours, as well as any other service specified by the Minister by order published in the Gazette.
  - d. Tax Withholding Agents (TWA) permitted to Withhold Tax on Specified Services are Financial Institutions regulated by the Bank of Jamaica (BOJ) and the Financial Services Commission (FSC), tourism operators, utility and cable companies with annual gross revenue exceeding five hundred million dollars (\$500,000,000), including any entity with such revenue that is exempt from the payment of Income Tax. Statutory Bodies/Authorities, Ministries, Executive Agencies or any Agency or Department of Government are also liable to withhold.<sup>5</sup>
9. Amendments to existing Tax at Source Legislation. The following references are to deduction at source. When tax deducted at source exceeds the tax actually payable, refunds are made:
  - a. 'Prescribed persons', primarily financial institutions, are required to withhold tax at source at a rate of 25% on interest income earned on investment instruments (subject to any lower rate as prescribed in a Double Taxation Treaty (DTT)). The ITA has been amended to provide a wider definition of the term 'interest'.

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<sup>5</sup>[www.jamaicatax.gov.jm](http://www.jamaicatax.gov.jm)

'Prescribed persons', as defined, include the Accountant General; banks operating under the Banking Act or the Bank of Jamaica Act; institutions operating under the Financial Institutions Act; Building Societies; societies registered under the Industrial and Provident Societies Act, unless certain conditions are met; the Ministry of Finance and Planning; Life Insurance companies; companies registered under the Companies Act in which the government or an agency of the government holds more than 50% of the ordinary shares and which issues interest bearing securities; issuers of commercial paper; unit trust management companies; and any person who is connected with any of the persons mentioned above (with the exception of the Accountant General).

- b. Based on the provisions of the ITA, where dividends are paid to Jamaican tax resident shareholders, excluding corporate shareholders who hold 25% or more of the voting rights of the paying company, tax is to be deducted at the rate of 15%. The tax deducted at source represents the final tax in respect of the dividends.
- c. With effect from 30 April 2014, WHT has been imposed at the rate of 15% on all insurance premiums paid by Jamaican residents to non-residents. However, based on subsequent amendment to the relevant legislation premiums paid by registered Jamaican insurance companies, agents and brokers are exempt from this WHT, subject to satisfying certain conditions.

#### **1.1.4 Sanctions for non-compliance**

As part of the initiative to harmonize penalties across tax types, the Ministry of Finance and Planning has revised the penalty regime for Income Tax and Education Tax effective October 1, 2014. The *Tax Penalties (Harmonisation) Act* amended the *Education Tax Act*, and *the ITA*, by increasing the penalties for various offences. It also makes the application of penalties for similar offences under the various acts more consistent and removes those that were outdated. **Appendix 1, Table A2** is a summary of the *ITA* updated penalties.

##### **1.1.4.1 Penalty for Late Filing**

Every person who fails to file a return under the ITA Section (71) (B) and the Education Tax Act Section (12) (A) within the time required shall be liable to pay a penalty of Five Thousand Dollars (J\$5,000.00) for each month, or part of a month during which the failure to file the return continues up to a maximum of One Million Dollars (J\$1,000,000.00). Consequently, returns for Income Tax and Education Tax that are outstanding for years of assessment 2013 and prior years, as at October 1, 2014 will attract the penalty of \$5,000 monthly until the return is filed. Penalties incurred shall be considered to be tax payable in addition to any other tax that is payable. Current legislation also gives the CG the power to waive or reduce penalties if he is satisfied that there are circumstances that justify doing so.

The Tax Penalties (Harmonization) Act 2014 also makes provision for offences relating to incorrect Declaration, change of address, keeping proper records, refusal to deliver tax information aids and abets, for which the taxpayer shall be liable on summary conviction in a Resident Magistrate's Court to a fine and or imprisonment.

#### *1.1.4.2 Employers*

By section 67(9) of the Income Tax Act, *Tax Penalties (Harmonisation) Act, 2014*, the penalties for an employer, who does not carry out this statutory requirement, range from a fine to imprisonment. The provision states:

- a. On summary conviction in a resident Magistrate's Court
  - i. in the case of a first offence to a fine not exceeding two million dollars and, in default of payment thereof, to imprisonment for a term not exceeding one year; and
  - ii. in the case of a second or subsequent offence, to a fine not exceeding five million dollars or to imprisonment for a term not exceeding five years or to both such fine and imprisonment; and

On conviction, on indictment in a Circuit Court, to a fine and, in default of payment thereof, to imprisonment for a term not exceeding ten years.

The provision in the ITA which the foregoing replaced, vaguely stated that "the employer who willfully fails to comply shall be guilty of an offence against this act and if he continues, at the expiration of each period of thirty days he shall be guilty of a further offence." It is not surprising that submission of PAYE information for employees was ignored by some employers. The new serious penalties and the mandatory requirement to e-file all returns will go some way toward dealing with that short coming in the system.

#### *1.1.4.3 Declaration of Estimated Tax*

The declaration of the estimated income tax for the following year is filed on the same basis as the actual taxable income for the year just ended, and must be paid in four quarterly installments on 15<sup>th</sup>March, 15<sup>th</sup>June, 15<sup>th</sup>September and 15<sup>th</sup>December.

If a taxpayer fails to file an estimated return, the CG may serve him/her a notice requiring compliance. Whether or not a notice is served, the taxpayer remains under a duty to comply. On failing to comply the taxpayer becomes liable to a penalty of an amount not exceeding One Million Dollars (J\$1,000,000.00), previously Ten Thousand Dollars, determined by the CG.

If he fails to comply within thirty (30) days of the notice being served on him, he is liable to a further penalty of Two Thousand Dollars (J\$2,000.00) for each day on which his default continues, including days before the service of that notice.<sup>6</sup>The only persons not required to file a declaration of estimated income tax are those whose only source of income is from emoluments taxed by the PAYE system. Based on the provisions of Section 66 (3)(c) – Estimated Tax Return, where the estimated tax return is not filed by March 15th or December 31<sup>st</sup> as the case may be, the person shall be liable to a penalty not exceeding One Million Dollars (\$1,000,000.00) determined by the CG and \$2,000.00 per day for each day on which his default continues.

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<sup>6</sup>Section 66 (3) (a), (b) and (c) of the Income Tax Act as amended by the Tax Penalties (Harmonisation) Act, 2014.

#### 1.1.4.4 Interest Charges

Interest is payable on all income tax due and payable which remains unpaid at the rate of 20% per annum (for arrears up to June 30, 2015) until the liability is paid. The Minister may prescribe the interest rate for the first six months of the year by January 31 annually and then again for the second six months of the year by July 31 annually. For arrears relating to the period July 2015 to December 2015 the interest rate is 16.62681% per annum<sup>7</sup>. Interest is charged from the day following the collection date. The collection date is defined in section 77 of the ITA, in relation to any assessment as the 30th day next after the date on which the notice of assessment is signed except that where pending an objection or appeal, the collection of any portion of Tax remains in abeyance the collection date shall be determined by:

- a. the CG to be the 30<sup>th</sup> day next after the date on which the objection is settled;
- b. the Commissioner of Appeals to be the 30<sup>th</sup> day next after the appeal is determined;
- c. by the Revenue Court to be the 30<sup>th</sup> day next after the case is settled.

Where an audit assessment is raised by the CG, the collection date is to be determined by the CG to be the 30th day next after the notice of assessment is issued by the CG.

#### 1.1.4.5 Surcharge

In accordance with section 72 (3) and (4), where a person has neglected or refused to deliver a return under section 67 of the ITA, or has not been assessed, or has been assessed to a lesser amount, the CG may assess such person at such amount or additional amount or surcharge, according to his best judgment. A surcharge may be an amount not exceeding treble the amount of the tax.

#### 1.1.4.6 Restriction Notice

The ITA gives very wide powers to the CG in the matter of forcing a taxpayer to pay taxes owed. In part II of the Second Schedule to the ITA, the CG may issue a restriction notice, which means that the taxpayer may not leave the Island until his tax matters are settled and the CG lifts the restriction.

The CG must first serve a demand for payment of taxes owed and, if they are unpaid, he or she may serve the restriction notice. Paragraph 2(1) of part II reads:

*“If the CG thinks fit he may serve on any person a notice requiring that he shall not leave the Island unless at the time of leaving he has in his possession a certificate issued by or on behalf of the Commissioner within the preceding ninety days stating that he (a) does not owe any income tax, or (b) has made satisfactory arrangements for the payment of income tax payable by him.”*

In so far as the restriction notice is in effect, a taxpayer’s attempt to leave the Island is an offence and he or she may be taken into custody without warrant by an Immigration Officer for a period not exceeding 12 hours.

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<sup>7</sup> Tax Collection (Arrears of Tax) (Prescribed Rate of Interest) Order, 2015

#### 1.1.4.7 Tax Debtors: CG's Additional Measures

In addition to the above penalties and provisions available to the CG for enforcing collection of taxes, the *tax Collection (Miscellaneous Provisions) Act* (tCMP, 2014) introduced a number of other measures to assist in collection of taxes overdue for payment. The 'Further remedies for enforcement of taxes' section of the legislation provides that the CG may use the following (see **Appendix 3** for more details on each):

- ✓ Garnishment and lien
- ✓ Information to Credit Bureaus
- ✓ Set-Off in certain circumstances
- ✓ Publication of a list of Debtors

## 1.2 Organization and Process

### 1.2.1 Filing Compliance Model

TAJ adopted the 2008 Australian Taxation Office (ATO) Compliance Model. This model helps in understanding the factors that influence compliance behavior and the attitudes of diverse groups of taxpayers and their advisers to compliance. Based on that understanding, differentiated strategies are applied to address risks to the operation of Jamaica's tax system.<sup>8</sup> Since adopting this model in 2008, some success has been achieved in increasing Net Revenue Collections and improving tax compliance. However, collections have approximated only 95% of revenue targets over the last five years.<sup>9</sup> The TAJ has since shifted to a customer focus and risk oriented organization with a compliance approach that has been revised to include Supporting Economic Management in the Caribbean's (SEMCAR's) Enterprise Risk Management framework and the Organization for Economic Co-operation and Development's (OECDs) compliance and risk management guidance notes.

### 1.2.2 Risk Management

In its adoption of a risk management approach to compliance, the TAJ has differentiated its engagement with large, medium and small taxpayers based on the relative likelihood of non-compliance and the consequences of any potential non-compliance. This facilitates the allocation of compliance resources in the most efficient and effective way – in areas of higher risk and consequence and also reduces the overall compliance costs.

Taxpayer's tax risks are classified as being high, medium or low relative to other similar taxpayers. The compliance risk management approach and the taxpayer segmentation and the **"know your taxpayers"** initiative (see **Appendix 4**) has generated changes in the behavior of taxpayers in both targeted and year to date comparative compliance rates. TAJ recognizes that voluntary compliance is being strengthened through this new concept. To ensure on going improvement in voluntary compliance TAJ has now put in motion a modified strategic direction which promises to build on these recent successes.<sup>10</sup>

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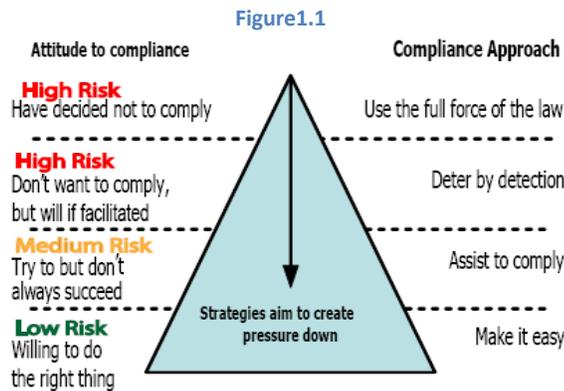
<sup>8</sup>NCP, 2015.

<sup>9</sup> Ibid.

<sup>10</sup> Interview with an employee of the Tax Administration of Jamaica - 30.12.2015

### 1.2.3 Risk Differentiation Compliance Framework

TAJ’s risk differentiation compliance framework helps in understanding the factors influencing taxpayer behavior and how this will differ across taxpayer groups and tax types. Based on this understanding, strategies have been designed encompassing the risk approach to the varying taxpayer behavior.



The approach taken is to address the underlying drivers of compliant behavior by applying appropriate remedies for the enforcement of taxes with the aim of graduating those who “don’t want to comply” to a state of “willing to do the right thing”, while making it easier for those who comply. For those taxpayers, who decide not to comply, more intensive action is taken using the full force of the law, including investigations and audits, issuing final notices, imposing penalties and taking legal action such as summons, liens and garnishee (see **Appendix 1, Table A.2**).

### 1.2.4 Introduction of the new Revenue Administration Information System (RAiS)

The Revenue Administration Information System (RAiS), phase 1, was completed on February 9, 2015. The new system provides compliance managers and staff with automated processes to help manage workloads, issue system generated reminder letters, allow staff to track case actions including phone calls, referrals for personal visits and prosecution action, automate the calculation of non and late filing penalties and facilitate accurate management reporting against performance benchmarks.

On December 7, 2015 phase two of TAJ’s new Revenue Administration information System (RAiS) was completed. The new system allows access to online services related to Income, Education, Minimum Business, Asset and Payroll Taxes, including NIS, NHT, and HEART contributions. The phase two upgrade of the tax system now allows taxpayers or their intermediaries to access a wider range of online services related to these taxes, such as:

- ✓ viewing their filing and payment history
- ✓ generating Statement of Accounts
- ✓ requesting a refund and tracking its status
- ✓ creating a payment plan
- ✓ applying for income tax exemptions
- ✓ requesting approval for tax-free traveling allowance
- ✓ objecting to an assessment
- ✓ making automated direct bank payments
- ✓ requesting an Advisory Visit
- ✓ verifying Tax withholding or zero-rating entities
- ✓ granting third part access to accounts

Additionally, with the completion of the system upgrades, individuals and businesses are now able to submit TRN applications and supporting documents online and apply for their Tax Compliance Certificate (TCC) online. TAJ will no longer issue a TCC; instead a letter will be generated advising of the tax compliance status.

Through the RAiS web platform taxpayers can now conduct more transactions with greater security, ease and convenience. Approximately 25,000 taxpayers who were registered for online services on the previous system will now have access to the new and improved Revenue Administration Information system.<sup>11</sup>

Full implementation is set for June 2016, where Phase 3 relating to other tax types and functionalities will be rolled-out.

However, despite the increased flexibility that the system offers, some contend that the process is still somewhat onerous. Interviews conducted with taxpayers using RAiS suggests that there are too many steps involved in making a payment.

Taxpayers lament that the steps are as follows;

- |  |  |
|--|--|
| 1. E Services                                      | 10. Confirm (check amount in box is correct) |
| 2. Manage my eServices Account (heading)           | 11. Next                                     |
| 3. I want to: Make Multiple Payments (upper right) | 12. Next                                     |
| 4. Credit Card Payment                             | 13. Enter Phone Number                       |
| 5. My Accounts Tab                                 | 14. Continue                                 |
| 6. Go to Tax Type and click 0.00                   | 15. Enter Payment Now                        |
| 7. Click Payment type- then “Payment for Return”   | 16. Confirm                                  |
| 8. Enter Amount                                    | 17. Enter CC Info                            |
| 9. OK  | 18. Confirm                                  |

*A total of eighteen (18) steps*

### **1.3 Detecting non-compliance**

The main approach used by the TAJ in detecting non-compliance is analyzing and matching information reported to the TAJ by taxpayers and third parties such as financial institutions and regulatory agencies. The information matching capabilities are currently being expanded through the introduction of the RAiS and recent legislative changes which have enabled the TAJ to access information from additional sources to compare against taxation records thereby helping to ensure the correct amount of taxable income is disclosed in tax returns.

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<sup>11</sup>[www.jamaicatax.gov.jm](http://www.jamaicatax.gov.jm)

### 1.3.1 Filing Compliance - E- Filing

The first phase of e-filing of returns began on 1st March, 2014 with the mandatory e-filing of all returns for large taxpayers (turnover of more than \$500 million). Employers with more than 20 employees were required to e-file their monthly statutory payroll deductions (form S01) and employers' annual return (form S02) in this initial phase. Large taxpayers (i.e. those with annual turnover exceeding five hundred million) are to e-file:

✓ GCT/SCT returns;	✓ Income tax returns;
✓ Amalgamated Employer's Annual Returns (S02)	
✓ Employers' monthly statutory declarations (S01)	

Effective from 1st January, 2015 all employers were required to electronically file their employers' annual payroll tax return and the monthly payroll tax returns. In addition to the increase in online filing and payment and the simplification of the tax form, the Tax Department has also reduced the number of tax payments per year from 72 in 2010, to 36 in 2011. This dramatically reduces the number of hours necessary to pay taxes per year from 414 to 199.<sup>12</sup>

### 1.3.2 Payment Compliance

#### 1.3.2.1 Existing payment compliance risks

The TAJ has asserted that the prevailing attitude in some sections of the Jamaican taxpayer population of not paying tax on time, and often not paying at all, is entrenched in the culture. This attitude is most likely the result of an extended period of little to no enforcement of the payment rules, observing other taxpayers non-compliance without sanction, and the expectation of now customary payment amnesties. Payment compliance risks may be attributed to; the lack of an effective computer system to assist in the management of collections; very little court time to prosecute offenders; the disincentive of joining long queues at tax offices for extended periods to pay tax bills and a general community sense that not paying tax on time is acceptable.<sup>13</sup> Similar administrative difficulties besetting filing compliance apply equally to payment compliance and there appears a strong correlation between not being able or willing to pay which influences the decision to not file on time, or close to time.

#### 1.3.2.2 Factors that affect Payment Compliance

During FY 2013/14, the TAJ identified the following factors that affect payment compliance:

1. General lack of appropriate penalty and interest sanctions for non-compliance with the income tax quarterly installment system.
2. The expectation by those deciding not to pay taxes that they will ultimately be granted a payment amnesty later, is a significant disincentive.
3. The major influence on non-compliant payment behavior is arguably that there is likely to be little to no consequence for none or late payment other than possibly a late payment penalty and/or interest charge that in many cases go unnoticed and goes unpaid.

<sup>12</sup> Jamaica Observer, March 6,2011

<sup>13</sup> NCP 2015

### ***1.3.2.3 Strategies Implemented to improve Payment compliance and to ensure efficiency***

The TAJ has introduced several infrastructural and operational changes in an effort to improve payment compliance.

1. Taxpayers have the option to pay tax bills via credit cards online through the TAJ Online Portal.
2. There is a direct debit option for taxpayers via their own bank's bill pay facility and electronic drop box facility.
3. The implementation of the new Revenue Administration Information System (RAiS) which provides compliance managers and staff with automated processes to help manage workloads, issue system generated reminder letters, track case actions including phone calls, referrals for personal visits and prosecution action, automate the calculation of non and late payment penalties and facilitate accurate management reporting against performance benchmarks.
4. The RAiS system facilitates information matching and data mining.
5. Increase in the staff capacity of TAJ's legal department that now facilitates enforcement and prosecution capability.

## **1.4 Policies and Procedures introduced to improve filing and payment compliance**

TAJ has invested substantial resources into the 'Know your taxpayer initiative' and the information matching and forensic data mining capabilities of the tax database RAiS. This is in line with international trends, as the main tool used by tax administrations worldwide for detecting non-compliance is analyzing and matching information reported by taxpayers on tax returns with information provided by third parties.

Recent legislative changes are now enabling the TAJ to access even more information from additional sources to strengthen its information matching and forensic data mining capabilities and enhance the revenue's ability to compare external data with taxation records. The ultimate aim is to gather adequate taxpayer information to create an almost complete picture of each taxpayer's financial dealings, allowing the TAJ to detect non-registration and non-filing, undeclared income and gains, fraudulent tax deductions, and fraudulent credit and refund claims. Collaboration is being pursued between the Jamaica Customs Agency in matching import data with tax records, which assists in ascertaining whether there is compliance with income tax and consumption tax laws. TAJ will also seek to partner with the Ministry of Labour and the Passport, Immigration and Citizenship Agency (PICA) to develop an information technology interface that will capture information regarding work permits to ensure compliance with tax laws in regards of employment status of contract and non-contract employees.

A key challenge for TAJ is developing automated processes to help it risk assess matched data and to implement new treatment strategies in its compliance checking areas such as automated query letters, desk audits, information visits, record keeping reviews and help and assistance outreach initiatives all supported by an effective enforcement, investigations and prosecution capability.

## 1.5 Refunds

Taxpayers who submit GCT refund returns are mandated to e-file. This has made it easier to process GCT refunds and has resulted in improvements in the processing time of returns with large amounts of data. Effective August 2014, individuals claiming PAYE and income tax refunds, including pensioners, are required to submit their banking details to receive refunds electronically.

Total refunds increased from J\$14.0 billion in 2013/14 to J\$16.0 billion in 2014/15 and GCT refunds from J\$4.2 billion to J\$5.7 billion. Overall, 2014/15 GCT refunds represent only around 5 percent of net GCT collections, which is very low as refunds in modern administrations typically represent 30–40 percent of net collections. However, there is no evidence of accumulating stocks of unpaid refunds in the payments data used in the RA-GAP GCT gap estimate. A large part of the reason for the low level of refunds is because of very extensive coverage of import GCT deferrals - essentially refunds, which are an integral part of GCT, have been moved back up the supply chain to the import stage.<sup>14</sup>

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<sup>14</sup> Jamaica IMF RA-GAP Tax Gap Analysis Report - April 2015

## 2 TAX ADMINISTRATION MATURITY

Based on the maturity model presented in USAID's *Detailed Guidelines for Improved Tax Administration in Latin America and the Caribbean*, TAJ would be most suitably classified as operating at Filing and Payment Maturity Level 3. The implementation of the 'Know your taxpayer initiative' has improved the TAJ's maturity level. TAJ moves towards being a mature tax administration as operations become "program-driven", with a comprehensive approach to the handling of taxpayer obligations and programs to encourage, detect and deter noncompliance.

The following key components of Filing and Payment: Maturity Level3, are characteristic features of TAJ.

1. Returns contain sufficient information to determine liability and use a standard template. Returns are verified, captured electronically, and archived. E-filing is allowed. Payments through banks are allowed. Refunds do not require budgetary appropriations, but are still delayed.
2. Information sufficient to determine liability is captured electronically as soon as practical (i.e., before computational verifications, audits, etc.).
3. Although standardized, filing, payment, and refund arrangements continue to be separate for each type of tax.
4. Although combined into a single taxpayer accounting system, taxpayer accounts continue to be separate for each type of tax.
5. Security of taxpayer data (both electronic and paper) is ensured.
6. Stop-filers are identified and pursued, but in an ad hoc fashion as other priorities permit.
7. There is a set of consistent financial penalty provisions, set at appropriate levels and covering all delinquencies. (see Appendix 6).

### 3 KEYBENCHMARKSANDGUIDELINES

#### 3.1.1.1 TAJ's Organization and Operations Benchmarks

The key performance indices for Jamaica were determined from the TAJ compliance plan 2015 and were compared to international benchmarks. The attributes and statistical benchmarks of modern tax administrations used to compare Jamaica in the table below are those developed in the Gallagher (2001) study *Applying International Best Practices to Tax Administration Performance in Guatemala: A Benchmarking Study*.<sup>15</sup>The data shown in table 5.1 below replicate the International Benchmark data presented in Gallagher (2001) showing Jamaica's status for FY14-15 compared to each international benchmark & status for FY10-11.<sup>16</sup>

<i>Indicator</i>	<i>International Benchmark</i>	<i>Jamaica (FY10/11)</i>	<i>Jamaica (FY15/16)</i>	<i>Comments on Variances</i>
1. Percent of taxpayers in LTO	<b>0.5-1%</b>	<b>1%</b>		
2. Percent of revenues from large taxpayers	<b>65%</b>	<b>60-65%</b>		
3. LTO staff as % of total tax staff	<b>3%</b>	<b>2%</b>		
<b>Payment and collections</b>				
1. Banking system payments	<b>Yes</b>	<b>Partial</b>	<b>Yes</b>	
2. Percent of large taxpayers declaring via Internet	<b>100</b>	<b>20%</b>	<b>77%</b>	<i>Improvements over FY10/11 due to the implementation of the RAiS.</i>
3. "Stop-filers" as % of active taxpayers	<b>5%</b>	<b>unavailable</b>		
4. Late payments as % of total tax receipts	<b>5%</b>	<b>9.5%</b>		
5. Administrative cost as % of total receipts	<b>1%</b>	<b>1.6%</b>		
6. Share of adjustments and fines collected	<b>80%</b>	<b>25%</b>		
7. Business days for GCT refunds	<b>25</b>	<b>90</b>		
8. Institution that establishes revenue targets	<b>MOF</b>	<b>MOF</b>	<b>MOF</b>	
<b>Automated Systems</b>				
1. Use of automated systems for daily	<b>YES</b>	<b>YES</b>	<b>YES</b>	
2. Existence and use of automated Management Information Systems (MIS)	<b>YES</b>	<b>YES</b>	<b>YES</b>	
3. Inter connectivity between Headquarters (HQ) and local tax offices	<b>YES</b>	<b>YES</b>	<b>YES</b>	
4. Backup systems for all uses	<b>YES</b>	<b>YES</b>	<b>YES</b>	
5. Reliable taxpayer current account	<b>YES</b>	<b>NO</b>		
6. Automated audit case selection	<b>YES</b>	<b>Being Tested</b>		
7. Tax declaration entry with automatic error correction	<b>YES</b>	<b>NO</b>	<b>NO</b>	
8. Use of exogenous information (filers > vehicles > real estate)	<b>YES</b>	<b>Limited</b>		
9. Use of third-party databases	<b>YES</b>	<b>Limited</b>		
10. Data Crossing among taxes	<b>YES</b>	<b>NO</b>		
11. Late or "stop filing" system	<b>YES</b>	<b>YES</b>		

<sup>15</sup>See Gallagher, Mark et al (2001), *Aplicación de Mejores Prácticas Internacionales al Desempeno de la Administración Tributaria de Guatemala: Un Estudio de Benchmarking*, a <http://www.fiscalreform.net/library/pdfs/benchmark.pdf>.

<sup>16</sup>Arturo Jacobs, James Wooster, Luis Paniagua, Status of Recent Tax Reform in Jamaica & Benchmarking Tax System Performance, A Comprehensive Study, 2012,

<b>Table 5.1: PERFORMANCE MONITORING &amp; REPORTING</b>				
<i>Indicator</i>	<i>International Benchmark</i>	<i>Jamaica (FY10/11)</i>	<i>Jamaica (FY15/16)</i>	<i>Comments on Variances</i>
<b>Planning &amp; Coordination</b>				
1. Appropriate use of planning, monitoring and evaluation systems for	<b>YES</b>	<b>Excellent</b>		
2. Coordination of data flows among tax administrations, ministry and other agencies.	<b>YES</b>	<b>YES</b>		
<b>Sanctions and penalties</b>				
1. Tax code	Trend	<b>NO</b>		
2. Tax fraud felony	Trend	<b>NO</b>		
3. Application of tax fraud felony sanctions	Little	<b>NO</b>		
4. Appeals Tribunal				
<i>Source: USAID Status of Recent Tax Reform in Jamaica and Benchmark in Tax System Performance, 2010-2011(Published May 25, 2012)</i>				

## 4 RESULTS AND ANALYSIS

### Filing

The filing rates overall are low, at approximately fifty percent and is centered around the micro and small taxpayers. Filing rates for large taxpayers controlled by the LTO are much higher. Filing compliance has declined from 2011/12 to 2014/15 for micro, small and medium taxpayers. Large taxpayers filing compliance declined from 2011/12 to 2013/14 with marginal improvement in 2014/15 over 2013/14(see table A.1a; Fig 1.8).

The newly implemented, Revenue Administration Information System (RAiS) and e-filing should see success in improving filing compliance.

On time filing compliance for large taxpayers is between 65% and 75% with large taxpayer non-filers ranging between 10 to 20% for the years 2011 to 2015. The reverse is observed for MSME taxpayers with on time filing between 10% and 20% and non-filers ranging between 70% and 80%. (Fig. 2.9 – Fig. 2.12)

The data suggests that across all tax types, the percent of taxpayers filing tax returns has declined during the period 2011/12 to 2014/15.

### Payment

It may be concluded that there is a direct relationship between filing compliance and payment compliance. The high rates of filing non-compliance translate naturally into high rates of payment noncompliance, again mostly observed in micro and small taxpayers. The administrative processes and weak enforcement are acknowledged to be major setbacks.

Consumption taxes, GCT and SCT shows the highest levels of filing and payment compliance for all business categories, with large taxpayers achieving above 90% compliance.

Revenue collections outturn for FY2014/15 was 6% increase over 2013/14. Improved collections came from PAYE, GART, Education tax and Stamp Duty. PAYE and Education Tax benefitted from the new policy directive of direct payment to TAJ of government deductions from the Accountant General instead of the Ministries, Departments and Agencies (MDA). Stamp Duty benefitted from extraordinary inflows from the sale of some high value properties.

Revenue shortfall especially for GCT and Company Income Tax has been attributed to increased GCT refund payment in Quarter 1 (comparative with 2013/14) and lowers than expected or nil returns being filed amongst some of the larger taxpayers.

CIT collections for FY2014/15 were impacted by the Fiscal Incentives Legislation. (see Table A.5)

### **Results from the Interviews**

The interviews that were held with senior tax advisors and chartered accountants from a prominent Big Four audit firm, revealed a common view that SMEs have a higher tax compliance delinquency rate than larger businesses. There was a consistent view among all interviewees that the main reason for delinquency among the sector was a high level of willingness to take the risk to stay “below the radar” (“catch me if you can” attitude). All interviewees also strongly agreed that tax compliance among the sector would improve if there were improvements in tax service quality and public services similar to what is now being offered through the Large Taxpayer Office (LTO).

## 5 HIGHLIGHTS & RECOMMENDATION

### 5.1 Highlights

During the period 2010 to 2015, the TAJ has made several changes to its operations and structure in an effort to improve tax administration processes and compliance. The main highlights are:

1. The dissolution of the TAAD, IRD and T ASD and the creation of TAJ as a Semi-Autonomous Revenue Authority. (2011 -2013)
2. Redesign and Simplification of tax return forms (2010 -2015)
3. Amalgamation of forms to minimize the number of forms an individual is required to complete & improving greater levels of cohesion among entities. (2011)
4. E-filing option introduced to simplify the process for taxpayers filing Tax returns and for employers to file annual employment summaries. (2014)
5. Development of a National Compliance Plan to guide tax compliance efforts throughout various levels of the organization. (2015)
6. Implementation of the Revenue Administration Information System (RAiS), providing compliance managers and staff with automated processes to help manage workloads, issue system generated reminder letters, among other things. (2015)

### 5.2 Recommendations

Based on the areas discussed in this paper some of the key recommendations are as follows;

1. E-filing is presumably only having marginal impact on habitual non-compliers and more needs to be done to make e – filing mandatory for late and non-filers and certain categories of at risk taxpayers and tax types.
2. The current single taxpayer accounting system, should facilitate one taxpayer account for all types of tax.
3. The number of steps required to file and pay taxes on the newly implemented RAiS should be reduced and simplified.
4. A structured approach should be employed to identify and pursue stop-filers.
5. The Commissioner General should have a limit to which he is able to waive and reduce penalties for non-compliance.
6. The number of tax amnesties should be reduced and eventually eliminated to remove the perception that at some time in the future taxpayers will be relieved of their responsibility to pay their taxes and file the requisite Tax Returns.
7. The strategies employed to improve compliance among large taxpayers may be considered and modified where appropriate for medium and small taxpayers.
8. The TAJ's 'Total Expected Returns Data' may be flawed as the failure rate of micro, small and medium businesses is high and failed businesses may still be reflected as registered/ trading businesses on the TAJ'S books. Further research and study is needed to validate/ amend TAJ'S data.

## 6 REFERENCE

Crawford, David, 2013 Detailed Guidelines for Improved Tax Administration in Latin America and the Caribbean

Mendes, M., McLean, R., Silvera- Finnikin, G, (2015) Essentials of Jamaican Taxation, 5<sup>th</sup> Edition

Arturo Jacobs, James Wooster, Luis Paniagua, Status of Recent Tax Reform in Jamaica & Benchmarking Tax System Performance, A Comprehensive Study,2012,

Tax Administration Jamaica National Compliance Plan, FY 2015/2016,

The Income Tax Act as amended by the Tax Penalties (Harmonisation) Act, 2014.

Tax Collection (Arrears of Tax) (Prescribed Rate of Interest) Order, 2015

# APPENDICES

**Appendix 1: LIST OF TABLES**

**Appendix 2: LIST OF FIGURES**

**Appendix 3–CG’s Additional Measures**

**Appendix 4 – Overview of “Know Your Taxpayer” Initiative**

**Appendix 5–Annual Returns Deadline**

**Appendix 6 - Tax Administration Filing and Payment Maturity**

## Appendix1: LIST OF TABLES

NB: The bases of the segments are not uniformed and as such when measuring TAJ performance the formula utilized is "Total On time Returns Received/Total Expected Returns"; averaging the percentage performance of the listed segments will not equate to the percentage performance of TAJ.

<b>Table A.1: Comparative on time Filing and Payment Rates by Segment and Tax Type</b>						
Source: TAJ data						
<b>Filing</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
CIT	FY11-12	31.4%	70.3%	58.5%	52.3%	28.2%
	FY12-13	26.5%	63.5%	58.5%	48.7%	23.4%
	FY13-14	28.1%	66.7%	53.1%	35.0%	17.6%
	FY14-15	30.2%	69.9%	56.4%	38.5%	19.1%
<b>Filing</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
EdTax	FY11-12	8.7%	55.5%	59.6%	56.2%	7.4%
	FY12-13	8.9%	55.8%	58.4%	56.6%	7.7%
	FY13-14	7.6%	42.1%	48.9%	33.7%	2.8%
	FY14-15	6.5%	47.8%	43.6%	29.0%	2.3%
<b>Filing</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
GCT	FY11-12	70.9%	95.5%	92.8%	88.2%	68.3%
	FY12-13	65.8%	94.8%	90.6%	86.8%	62.9%
	FY13-14	63.4%	93.3%	86.3%	75.7%	44.2%
	FY14-15	66.0%	92.6%	86.1%	75.9%	49.8%
<b>Filing</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
PAYE	FY11-12	30.0%	54.2%	60.4%	62.5%	27.2%
	FY12-13	29.0%	55.0%	58.6%	61.8%	26.5%
	FY13-14	29.3%	58.1%	60.6%	50.2%	14.1%
	FY14-15	28.0%	59.8%	56.7%	48.8%	13.4%
<b>Filing</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
SCT	FY11-12	79.4%	100.0%	50.0%	86.7%	72.1%
	FY12-13	69.8%	100.0%	50.0%	70.8%	59.7%
	FY13-14	64.6%	85.4%	97.9%	69.2%	38.1%
	FY14-15	77.1%	91.5%	88.5%	72.4%	74.5%
<b>Filing</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
IIT	FY11-12	26.7%	0.0%	42.9%	38.3%	27.0%
	FY12-13	17.8%	0.0%	28.6%	29.1%	18.0%
	FY13-14	21.3%	100.0%	37.3%	48.3%	18.8%
	FY14-15	21.1%	33.3%	38.4%	49.6%	18.5%
<b>Filing</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
GART	FY11-12	0.0%	0.0%	0.0%	0.0%	0.0%
	FY12-13	56.8%	83.3%	88.2%	79.4%	51.6%
	FY13-14	63.3%	77.3%	77.5%	66.4%	56.5%
	FY14-15	59.1%	73.7%	76.8%	64.7%	50.1%
<b>Payment</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
CIT	FY11-12	31.5%	64.9%	56.6%	48.8%	28.8%
	FY12-13	25.8%	56.3%	52.0%	45.6%	23.2%
	FY13-14	31.5%	68.3%	60.5%	41.4%	18.7%

<b>Table A.1: Comparative on time Filing and Payment Rates by Segment and Tax Type</b>						
Source: TAJ data						
	FY14-15	33.2%	73.8%	63.4%	43.9%	20.1%
<b>Payment</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
EdTax	FY11-12	8.7%	55.5%	59.6%	56.2%	7.4%
	FY12-13	8.9%	55.8%	58.4%	56.6%	7.7%
	FY13-14	8.1%	56.0%	55.8%	36.1%	2.9%
	FY14-15	7.6%	57.3%	55.7%	34.6%	2.5%
<b>Payment</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
GCT	FY11-12	61.2%	85.3%	83.6%	74.8%	59.0%
	FY12-13	56.6%	83.9%	80.5%	72.3%	54.2%
	FY13-14	54.9%	82.3%	73.7%	65.5%	38.4%
	FY14-15	53.4%	75.7%	69.2%	62.1%	39.0%
<b>Payment</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
PAYE	FY11-12	28.5%	54.1%	57.6%	58.9%	25.9%
	FY12-13	27.7%	54.1%	55.8%	58.6%	25.3%
	FY13-14	28.1%	56.5%	58.0%	48.1%	13.6%
	FY14-15	27.5%	58.4%	58.5%	48.0%	13.0%
<b>Payment</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
SCT	FY11-12	74.8%	97.2%	79.2%	78.3%	63.0%
	FY12-13	64.8%	93.1%	83.3%	58.3%	53.4%
	FY13-14	62.3%	84.4%	93.8%	65.0%	37.1%
	FY14-15	69.8%	91.5%	73.1%	62.2%	64.7%
<b>Payment</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
IIT	FY11-12	25.9%	0.0%	42.9%	39.4%	26.2%
	FY12-13	17.1%	50.0%	35.7%	24.9%	17.3%
	FY13-14	22.6%	100.0%	48.2%	55.6%	19.3%
	FY14-15	24.6%	100.0%	63.0%	58.5%	20.9%
<b>Payment</b>		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
GART	FY11-12	0.0%	0.0%	0.0%	0.0%	0.0%
	FY12-13	56.6%	82.4%	85.9%	78.4%	51.6%
	FY13-14	62.1%	75.6%	73.4%	65.5%	55.6%
	FY14-15	57.6%	74.1%	73.1%	63.0%	48.4%

<b>Table A.1a. Overall Filing and Payment Compliance</b>						
Source: TAJ data						
		<b>TAJ</b>	<b>Large</b>	<b>Medium</b>	<b>Small</b>	<b>Micro</b>
Filing	FY11-12	19.0%	64.6%	67.6%	66.1%	16.8%
	FY12-13	18.5%	64.9%	66.0%	65.3%	16.4%
	FY13-14	17.3%	61.1%	61.5%	48.7%	7.2%
	FY14-15	16.0%	63.8%	57.9%	46.1%	6.5%
Payment	FY11-12	17.9%	62.1%	64.4%	61.5%	15.7%
	FY12-13	17.4%	62.1%	62.4%	60.6%	15.5%
	FY13-14	16.8%	63.2%	60.7%	46.9%	6.9%
	FY14-15	15.8%	62.9%	59.9%	45.3%	6.3%

**Table A.2: Percentage of Registered Taxpayers who File/Do not File Tax Returns**

Source: TAJ data

FILING		TAJ		Large		Medium		Small		Micro	
		Filed	Non-filed	Filed	Non-filed	Filed	Non-filed	Filed	Non-filed	Filed	Non-filed
CIT	FY11-12	74.3%	25.7%	98.7%	1.3%	94.6%	5.4%	92.6%	7.4%	71.7%	28.3%
	FY12-13	53.5%	46.5%	95.5%	4.5%	85.5%	14.5%	83.9%	16.1%	49.5%	50.5%
	FY13-14	34.2%	65.8%	73.3%	26.7%	60.4%	39.6%	42.8%	57.2%	22.0%	78.0%
	FY14-15	36.1%	63.9%	79.5%	20.5%	65.7%	34.3%	45.4%	54.6%	23.6%	76.4%
EdTax	FY11-12	20.1%	79.9%	65.8%	34.2%	71.7%	28.3%	78.5%	21.5%	18.7%	81.3%
	FY12-13	18.8%	81.2%	67.3%	32.7%	71.1%	28.9%	77.3%	22.7%	17.4%	82.6%
	FY13-14	13.8%	86.2%	47.7%	52.3%	62.5%	37.5%	49.9%	50.1%	7.3%	92.7%
	FY14-15	11.2%	88.8%	53.3%	46.7%	56.3%	43.7%	41.6%	58.4%	5.5%	94.5%
GCT	FY11-12	89.0%	11.0%	99.9%	0.1%	98.5%	1.5%	98.2%	1.8%	87.8%	12.2%
	FY12-13	81.7%	18.3%	99.5%	0.5%	97.0%	3.0%	96.5%	3.5%	79.9%	20.1%
	FY13-14	74.9%	25.1%	96.3%	3.7%	93.6%	6.4%	86.4%	13.6%	57.4%	42.6%
	FY14-15	76.1%	23.9%	96.5%	3.5%	93.2%	6.8%	85.2%	14.8%	62.0%	38.0%
PAYE	FY11-12	64.3%	35.7%	69.6%	30.4%	76.2%	23.8%	86.0%	14.0%	62.9%	37.1%
	FY12-13	57.2%	42.8%	67.9%	32.1%	74.0%	26.0%	82.7%	17.3%	55.6%	44.4%
	FY13-14	50.1%	49.9%	65.3%	34.7%	77.1%	22.9%	73.0%	27.0%	33.7%	66.3%
	FY14-15	46.7%	53.3%	66.4%	33.6%	73.2%	26.8%	68.9%	31.1%	29.8%	70.2%
SCT	FY11-12	87.9%	12.1%	100.0%	0.0%	50.0%	50.0%	91.7%	8.3%	86.7%	13.3%
	FY12-13	73.0%	27.0%	100.0%	0.0%	50.0%	50.0%	70.8%	29.2%	65.9%	34.1%
	FY13-14	69.7%	30.3%	97.9%	2.1%	97.9%	2.1%	72.5%	27.5%	41.9%	58.1%
	FY14-15	87.0%	13.0%	98.9%	1.1%	96.2%	3.8%	83.7%	16.3%	78.4%	21.6%
IIT	FY11-12	59.7%	40.3%	100.0%	0.0%	71.4%	28.6%	85.1%	14.9%	59.4%	40.6%
	FY12-13	31.7%	68.3%	100.0%	0.0%	50.0%	50.0%	62.4%	37.6%	31.3%	68.7%
	FY13-14	27.1%	72.9%	100.0%	0.0%	41.0%	59.0%	57.1%	42.9%	24.0%	76.0%
	FY14-15	25.2%	74.8%	66.7%	33.3%	43.8%	56.2%	56.9%	43.1%	22.2%	77.8%
GART	FY11-12	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	FY12-13	89.4%	10.6%	88.6%	11.4%	90.6%	9.4%	88.5%	11.5%	89.3%	10.7%
	FY13-14	78.0%	22.0%	78.9%	21.1%	84.0%	16.0%	79.3%	20.7%	76.5%	23.5%
	FY14-15	70.9%	29.1%	76.2%	23.8%	81.4%	18.6%	75.7%	24.3%	64.9%	35.1%

	TAJ	
	Filed	Non-filed
FY11-12	36.4%	63.6%
FY12-13	32.9%	67.1%
FY13-14	26.7%	73.3%
FY14-15	23.8%	76.2%

**Table A.3: Compliance Rating of LTO Taxpayers**

Source: TAJ data

Filing	2010-2011		2011-2012		2012-2013		2013-2014		2014-2015	
On time	19,310	77.1%	21,036	69.1%	20,551	68.3%	20,254	67.0%	21,964	67.4%
3 Mths	2,142	8.6%	2,276	7.5%	1,900	6.3%	1,882	6.2%	2,096	6.4%
3 - 6 mths	417	1.7%	489	1.6%	99	0.3%	229	0.8%	325	1.0%
> 6 mths	533	2.1%	572	1.9%	17	0.1%	130	0.4%	138	0.4%
None	2,643	10.6%	6,054	19.9%	7,506	25.0%	7,727	25.6%	8,043	24.7%
<b>TOTAL</b>	<b>25,045</b>		<b>30,427</b>		<b>30,073</b>		<b>30,222</b>		<b>32,566</b>	
Payment	2010-2011		2011-2012		2012-2013		2013-2014		2014-2015	
On time	18,433	73.6%	20,091	66.0%	19,778	65.8%	20,848	69.0%	22,294	68.5%
3 Mths	1,901	7.6%	2,082	6.8%	1,910	6.4%	2,241	7.4%	2,400	7.4%
3 - 6 mths	435	1.7%	636	2.1%	136	0.5%	287	0.9%	305	0.9%
> 6 mths	799	3.2%	748	2.5%	30	0.1%	161	0.5%	110	0.3%
None	3,477	13.9%	6,870	22.6%	8,219	27.3%	6,685	22.1%	7,457	22.9%
<b>TOTAL</b>	<b>25,045</b>		<b>30,427</b>		<b>30,073</b>		<b>30,222</b>		<b>32,566</b>	

**Table A.4 : Compliance Rating for MSME OTHERS**

Source: TAJ data

Filing	2010-2011		2011-2012		2012-2013		2013-2014		2014-2015	
Ontime	309,497	24.0%	332,061	14.8%	318,518	14.3%	344,437	16.6%	332,141	15.2%
3 Mths	154,603	12.0%	156,399	7.0%	102,700	4.6%	146,794	7.1%	127,573	5.9%
3 - 6 mths	49,563	3.8%	50,887	2.3%	14,365	0.6%	32,759	1.6%	27,603	1.3%
> 6 mths	69,880	5.4%	54,167	2.4%	2,899	0.1%	16,430	0.8%	14,482	0.7%
None	704,832	54.7%	1,646,694	73.5%	1,782,934	80.3%	1,535,936	74.0%	1,676,482	77.0%
<b>TOTAL</b>	<b>1,288,375</b>		<b>2,240,208</b>		<b>2,221,416</b>		<b>2,076,356</b>		<b>2,178,281</b>	
Payment	2010-2011		2011-2012		2012-2013		2013-2014		2014-2015	
Ontime	287,896	22.3%	312,596	14.0%	246,146	11.4%	332,790	16.0%	328,382	15.1%
3 Mths	137,305	10.7%	148,623	6.6%	101,110	4.7%	148,248	7.1%	131,520	6.0%
3 - 6 mths	46,815	3.6%	53,595	2.4%	15,889	0.7%	35,714	1.7%	31,265	1.4%
> 6 mths	74,403	5.8%	60,886	2.7%	3,527	0.2%	19,038	0.9%	17,912	0.8%
None	741,956	57.6%	1,664,508	74.3%	1,799,572	83.1%	1,540,566	74.2%	1,669,202	76.6%
<b>TOTAL</b>	<b>1,288,375</b>		<b>2,240,208</b>		<b>2,166,244</b>		<b>2,076,356</b>		<b>2,178,281</b>	

**Table A.5: FY2014/15 Revenue Performance – Comparative Actual Collections (in billions of \$)<sup>17</sup>**

	FY10/11	FY11/12	FY12/13	FY13/14	FY14/15
<b>CIT</b>	33.4	29.0	35.8	35.2	35.9
<b>IIT</b>	4.0	3.8	4.0	4.2	4.3
<b>PAYE</b>	51.6	60.2	60.9	62.8	67.8
<b>GCT</b>	46.4	47.9	50.9	61.3	64
<b>SCT</b>	8.7	9.2	12.5	12.3	10.1
<b>ED TAX</b>	13.1	15	15	18.1	19.6
<b>GART</b>			.6	1.7	2.0
<b>STCT</b>			3.8	6.5	6.7
<b>Tot. Major Rev</b>	157.0	165.1	183.5	202.1	210.3
<b>Other Revenue</b>	26.6	25.8	28.7	25.7	30.8
<b>Total Revenue</b>	183.7	190.9	212.2	227.7	241.2
<b>% FY Change</b>	-	4%	11%	7%	6%

Source: NCP, 2015

<sup>17</sup>NCP, 2015.

**Table A.6: Summary of Tax Penalties in Harmonization Act, (2014)**

IT Act Section	Provision and Breach	Fine and/or Penalty
4(2); & 2(4) of TAJ 13 Act	Confidentiality of tax payers information	On summary conviction in a Resident Magistrate's Court to a fine not exceeding one million dollars and, in default of payment thereof, to imprisonment for a term not exceeding one year.
17 (4)	Return of income; taxpayer fails to disclose details of connected party transactions	On summary conviction in a Resident Magistrate's Court to a fine not exceeding two million dollars and, in default of payment thereof, to imprisonment for a term not exceeding one year.
20 (5)	Failure to disclose where body corporate ceases to be resident, or ownership transferred to non-resident, or securities transferred	On summary conviction in a Magistrate's Court to a fine not exceeding one million dollars and, in default of payment thereof, to imprisonment for a term not exceeding one year
41 (3)	Failure of any person to remit to Revenue of tax deducted at source	On summary conviction in a Resident Magistrate's Court to a fine not exceeding two million dollars or treble the amount of the tax which is unpaid, whichever is greater, and in default of payment to for a term not exceeding one year.
49 (5)	Business T-P, notification to CG re payment of income husband or wife is commensurate with work done	On summary conviction in a Resident Magistrate's Court to a fine not exceeding one million dollars and, in default of payment thereof, to imprisonment for a term not exceeding one year.
58 (2)	Every person in whatever capacity in receipt of taxable income belonging to others to deliver a list with particulars to CG	On summary conviction in a Resident Magistrate's Court to a fine not exceeding one million dollars and, in default of payment thereof, to imprisonment for a term not exceeding one year.
66 (3)	Duty to declare estimated tax by every person except those whose only income is taxed by PAYE	Liable to a penalty not exceeding one million dollars determined by the Commissioner if he fails to comply with this section within 30 days after service on him of a notice from the Commissioner requiring him to do so, and shall be liable to a further penalty of two thousand dollars for each day on which his default continues , including days before the service of that notice
67 (8)	Duty of all taxpayers to submit an annual return of income;	On summary conviction in a Resident Magistrate's Court→ (i) in the case of a first offence. to a fine not exceeding two million dollars and, in default of payment thereof, to imprisonment for a term not exceeding one year; and (ii) in the case of a second or subsequent offence, to a fine not exceeding five million dollars or to imprisonment for a term not exceeding five years or to both such fine and imprisonment;

**Table A.6: Summary of Tax Penalties in Harmonization Act, (2014)**

<b>IT Act Section</b>	<b>Provision and Breach</b>	<b>Fine and/or Penalty</b>
67(9) new	Duty of employers to submit annual return of details of employees and tax deducted	On summary conviction in a Resident Magistrate's Court → (i) in the case of a first offence, to a fine not exceeding two million dollars and, in default of payment thereof, to imprisonment for a term not exceeding one year; and (ii) in the case of a second or subsequent offence, to a fine not exceeding five million dollars or to imprisonment for a term not exceeding five years or to both such fine and imprisonment; and on conviction on indictment in a Circuit Court, to a fine and, in default of payment thereof, to imprisonment for a term not exceeding ten years
69 (3)	Duty to submit partnership returns by precedent partner, or where not in the Island by attorney or agent	As in s.67(9)
70 (4)	Any person served with a notice by CG requesting a return, duty to a return within 15 days	As in s.67(9)
72 (5) (b)	Any person who aids, abets, assists another to make a false statement or declaration	As in s.67(9)
75 (5) (b)	Any person sent a notice of assessment, refuses or neglects to provide a return with books and documents available	As in s.67(9)
78 A (4)	Duty of the responsible officer of a body corporate to notify TAJ of any balances outstanding of IT payable 15 days after end of month deducted	On summary conviction in a Resident Magistrate's Court to a fine not exceeding one million dollars and, in default of payment thereof, to imprisonment for a term not exceeding one year.
89 (1)	Every person engaged in trade, profession or business is required to keep proper books of account in English	As in s.67(9)
92 (2)	Any person making payments of emoluments required to deduct tax; to make a return, provided information produce wage sheets	Liable on summary conviction before a Resident Magistrate to a penalty not exceeding one million dollars and in the case of a continuing offence to a further penalty of two thousand dollars for every day during which the failure continues after conviction

*Source: Essentials of Jamaican Taxation, 5<sup>th</sup> Edition, 2015, Mendes, McLean, Silvera-Finnikin*

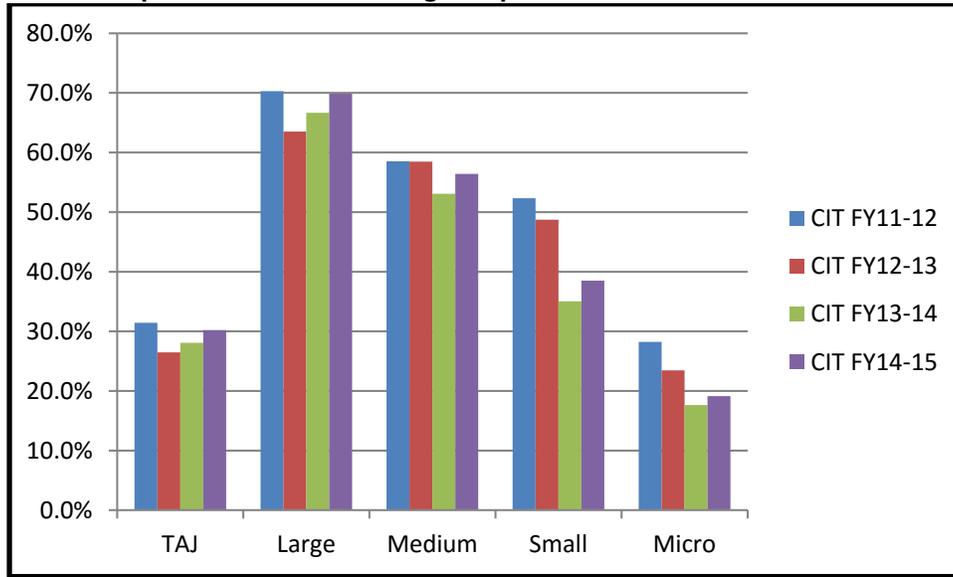
**Appendix 2: LISTOF FIGURES**

**Figure 1: Comparative On-time Filing and Payment Rates by Segment and Tax Type**

NB: The bases of the segments are not uniformed and as such when measuring TAJ performance the formula utilized is "Total On time Returns Received/Total Expected Returns"; averaging the percentage performance of the listed segments will not equate to the percentage performance of TAJ.

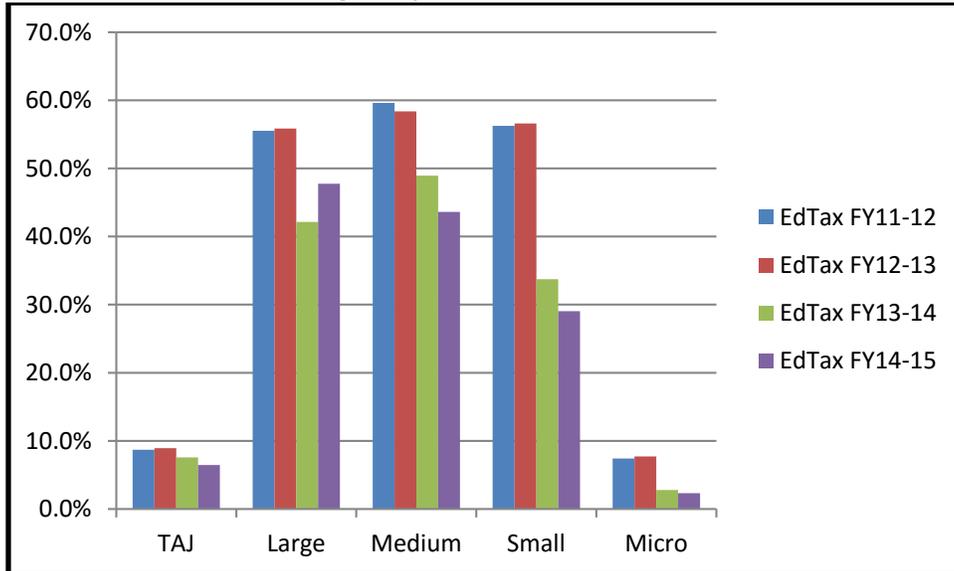
**FIG 1.1: Corporate Income Tax Filing Compliance Trend**

Source: TAJ data



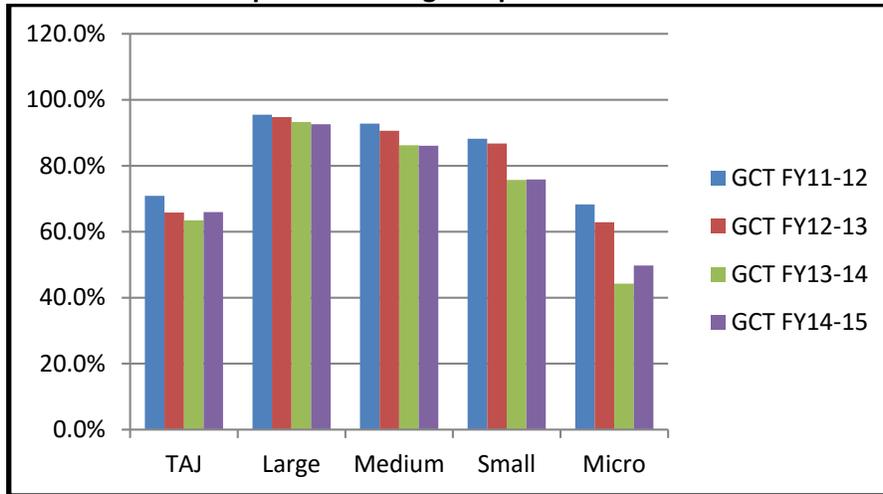
**FIG 1.2: Education Tax Filing Compliance Trend**

Source: TAJ data



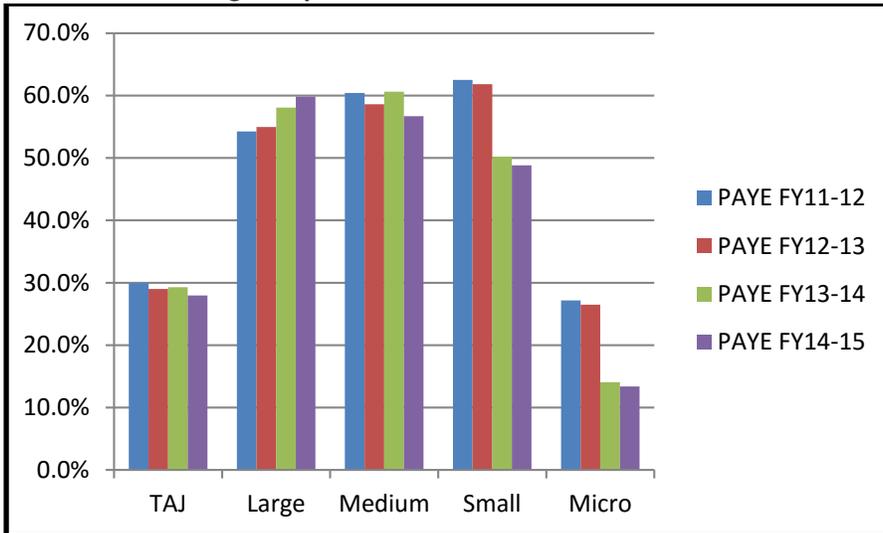
**FIG 1.3: General Consumption Tax Filing Compliance Trend**

Source: TAJ data



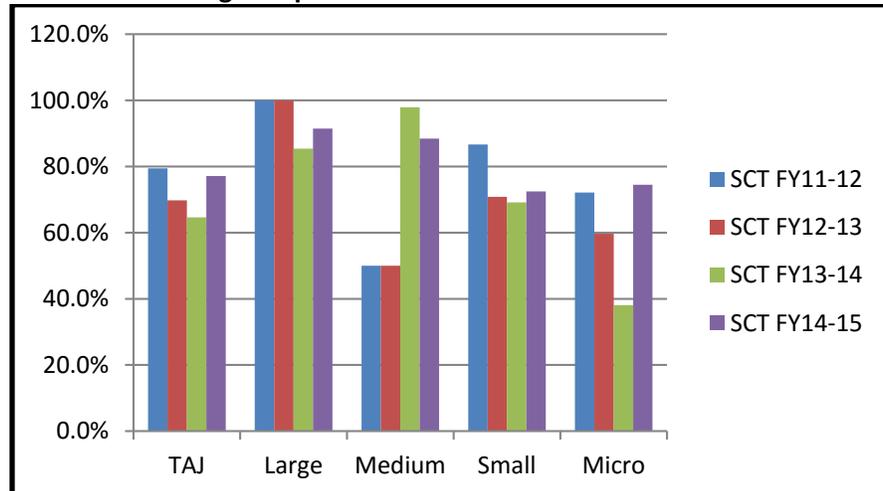
**FIG 1.4: PAYE Filing Compliance Trend**

Source: TAJ data

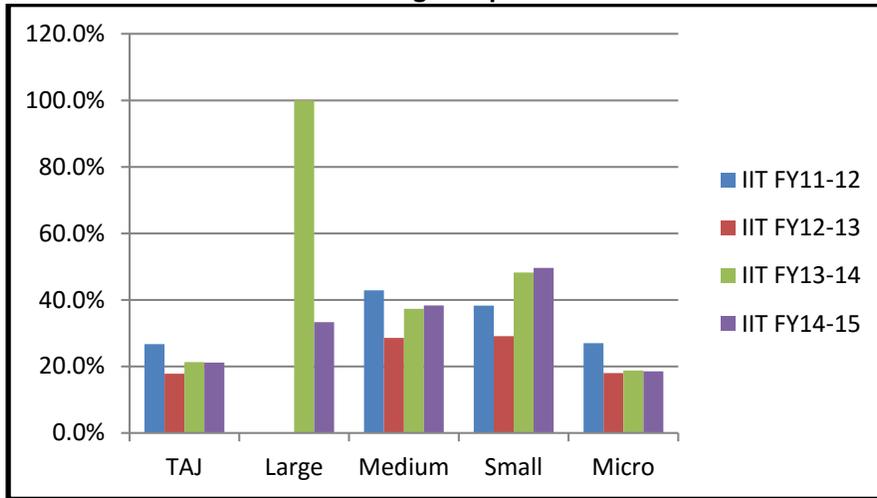


**FIG 1.5: SCT Filing Compliance Trend**

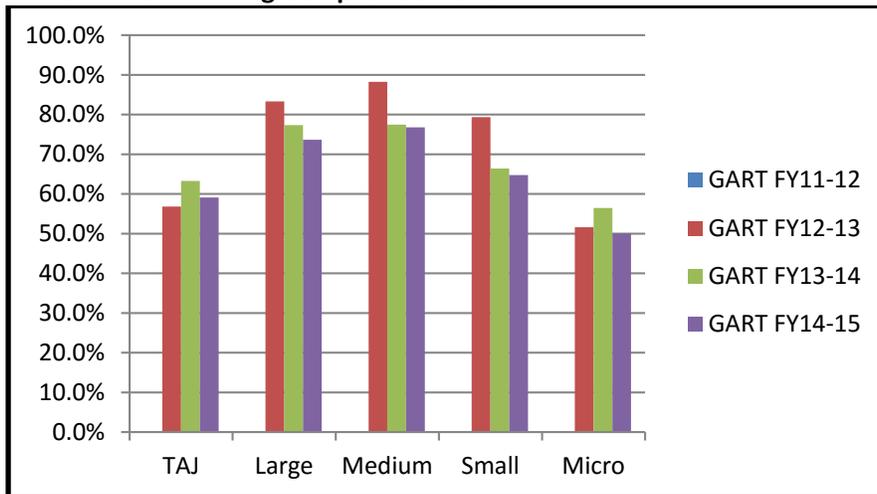
Source: TAJ data



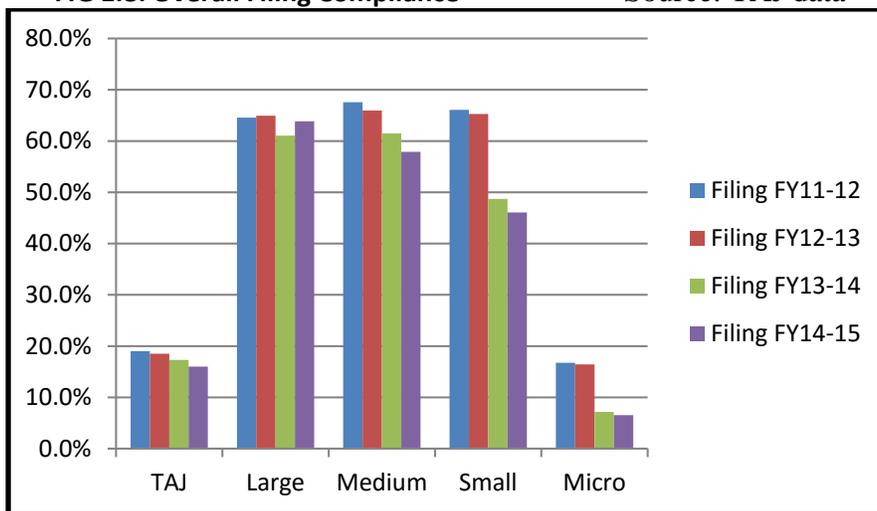
**FIG 1.6: Individual Income Tax Filing Compliance Trend** Source: TAJ data



**FIG 1.7: GART Filing Compliance Trend** Source: TAJ data

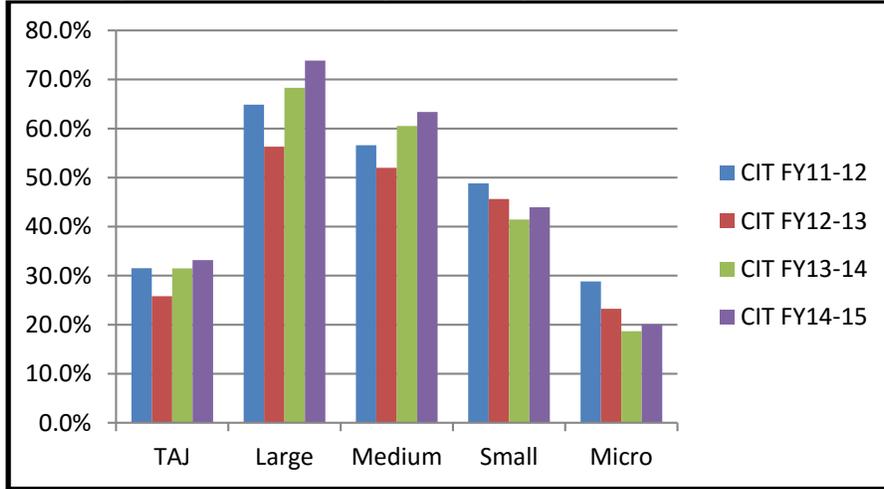


**FIG 1.8: Overall Filing Compliance** Source: TAJ data

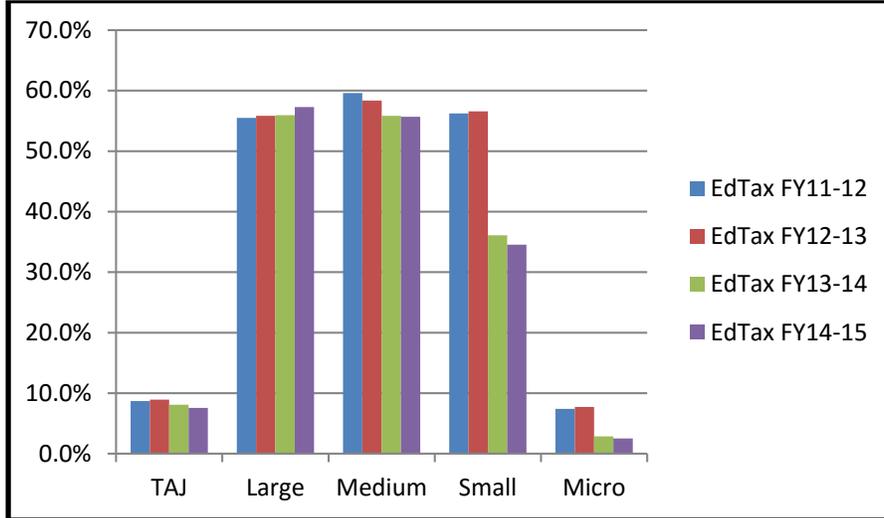


## PAYMENT COMPLIANCE

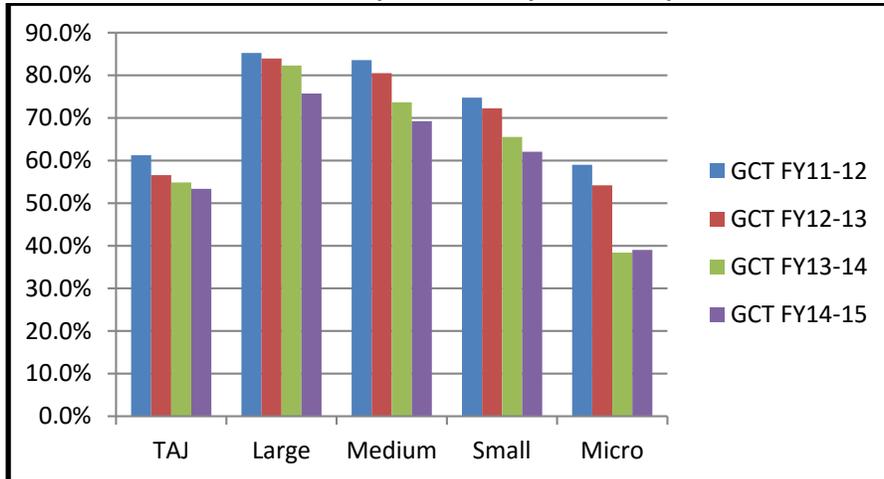
**FIG 2.1: Corporate Income Tax Payment Compliance Trend** Source: TAJ data



**FIG 2.2: Education Tax Payment Compliance Trend**

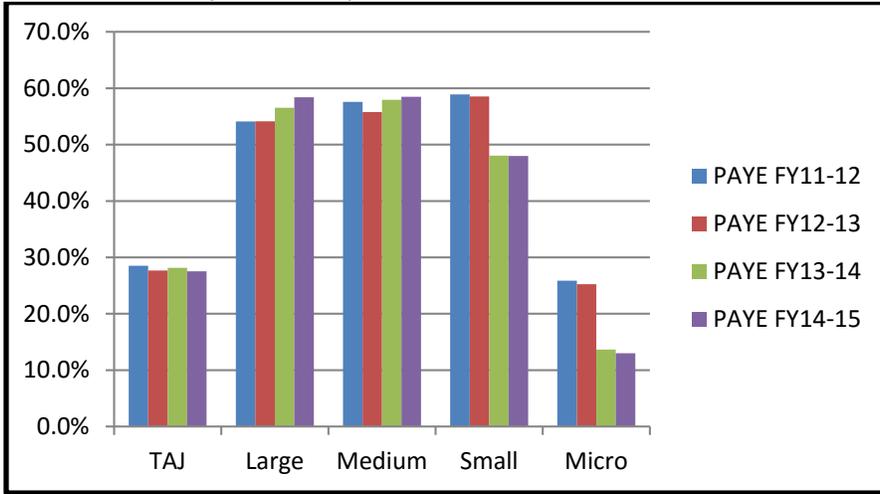


**FIG 2.3: General Consumption Tax Payment Compliance Trend**

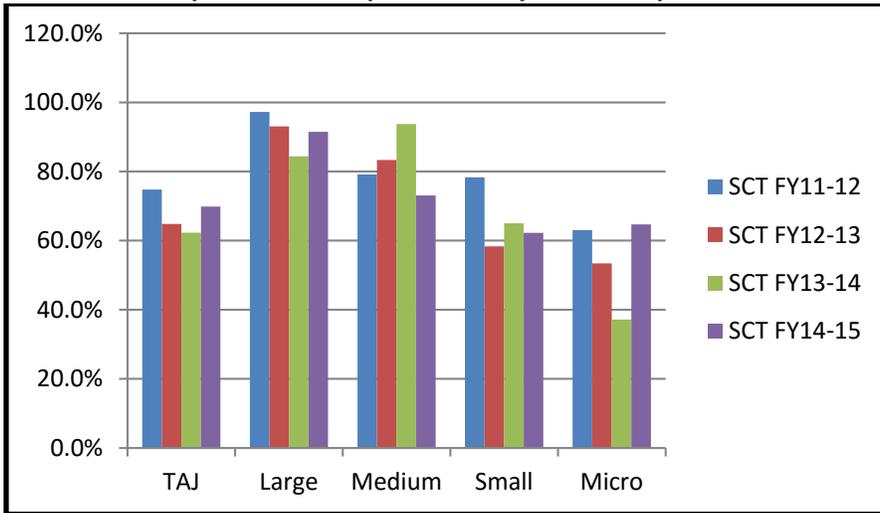


**FIG 2.4: PAYE Payment Compliance Trend**

Source: TAJ data

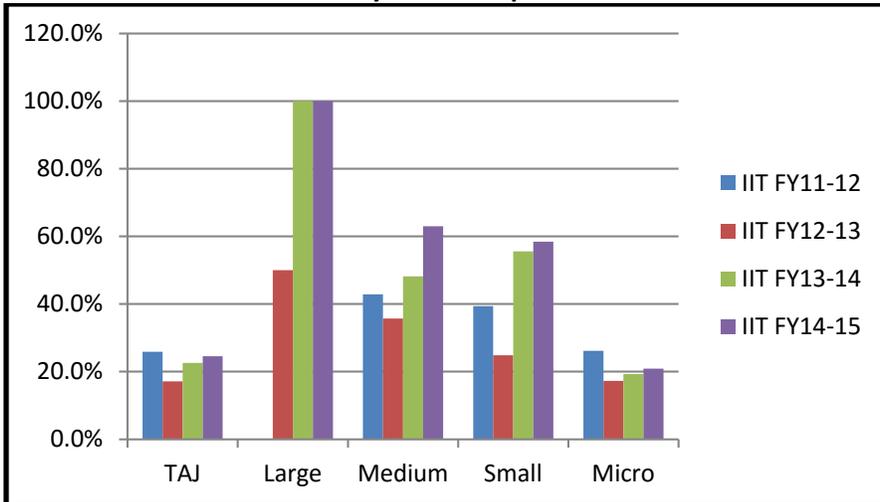


**FIG 2.5: Special Consumption Tax Payment Compliance Trend**

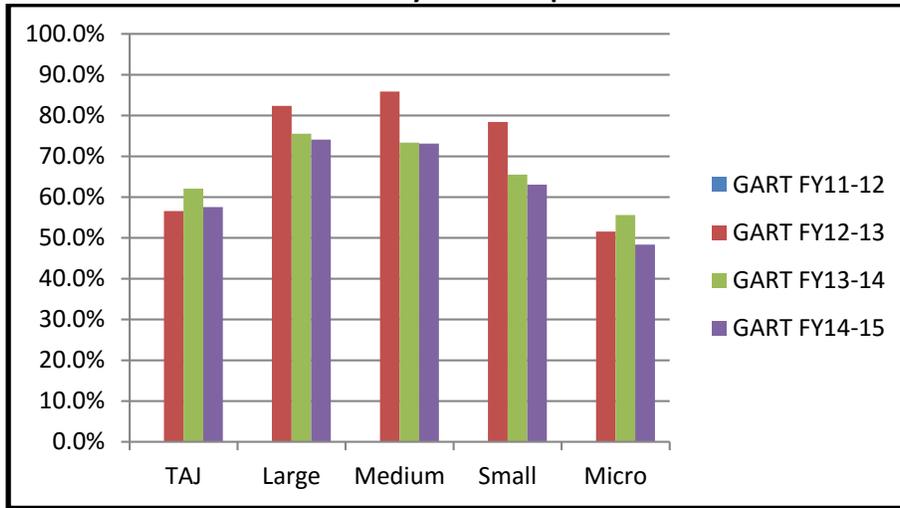


**FIG 2.6: Individual Income Tax Payment Compliance Trend**

Source: TAJ data

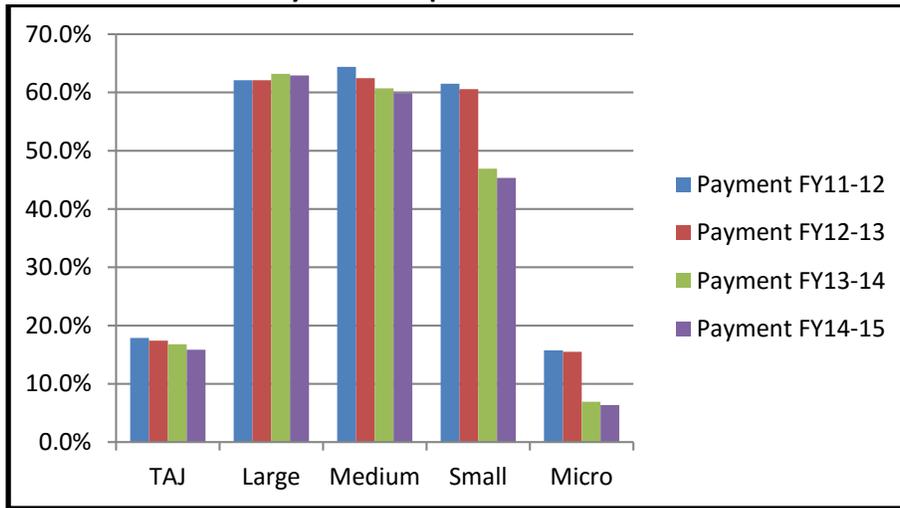


**FIG 2.7: GART Payment Compliance Trend**



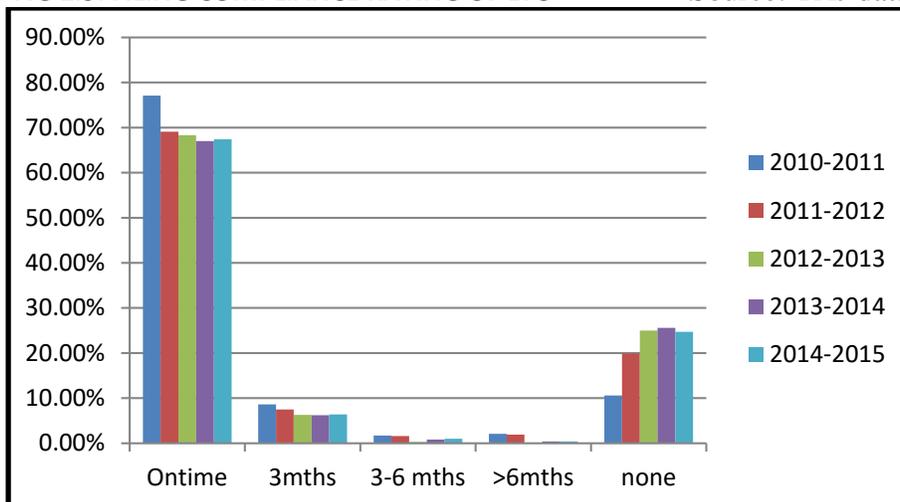
**FIG 2.8: Overall Payment Compliance**

Source: TAJ data

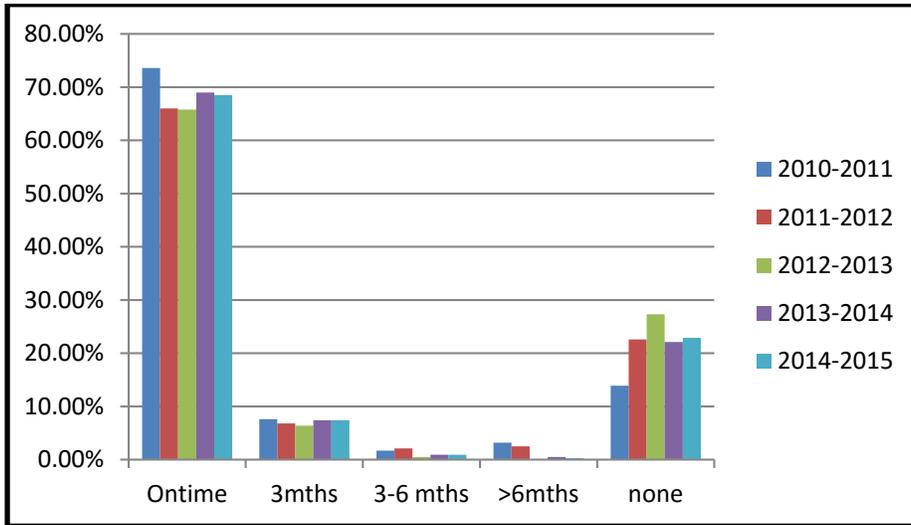


**FIG 2.9: FILING COMPLIANCE RATING OF LTO**

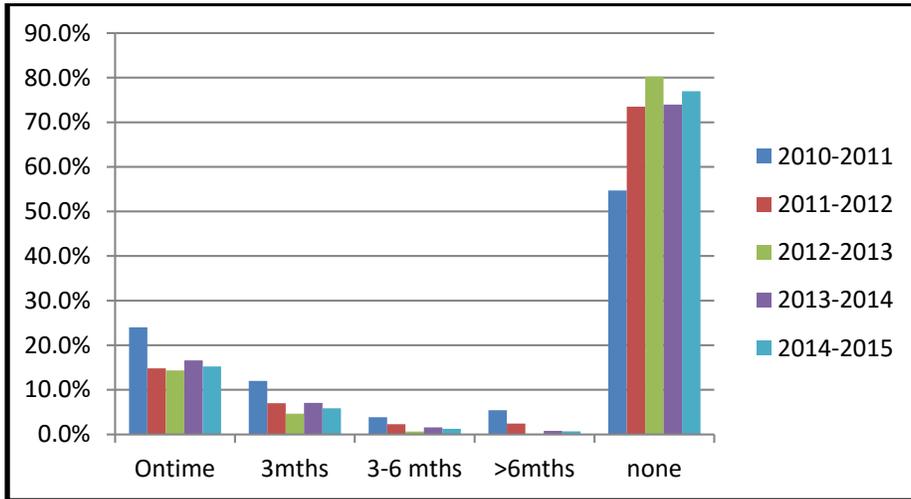
Source: TAJ data



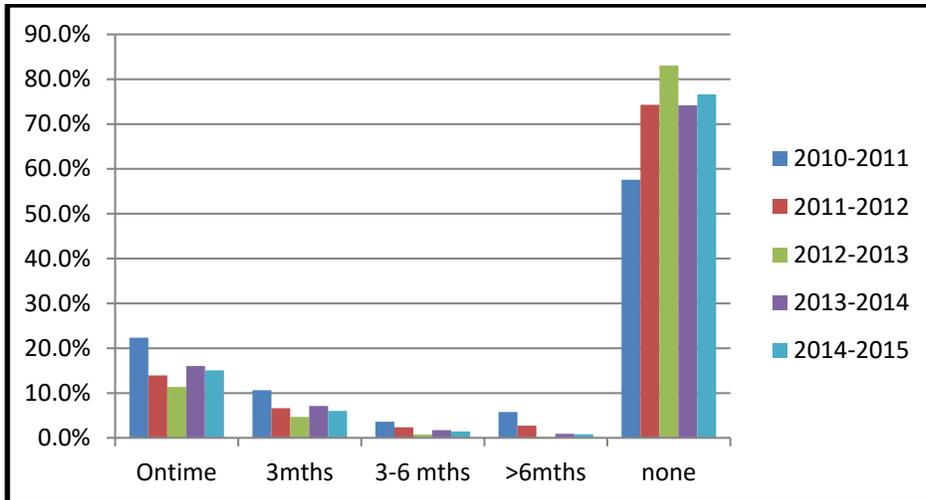
**FIG 2.10: PAYMENT COMPLIANCE RATING OF LTO**



**FIG 2.11: FILING COMPLIANCE RATING FOR MSME** Source: TAJ data

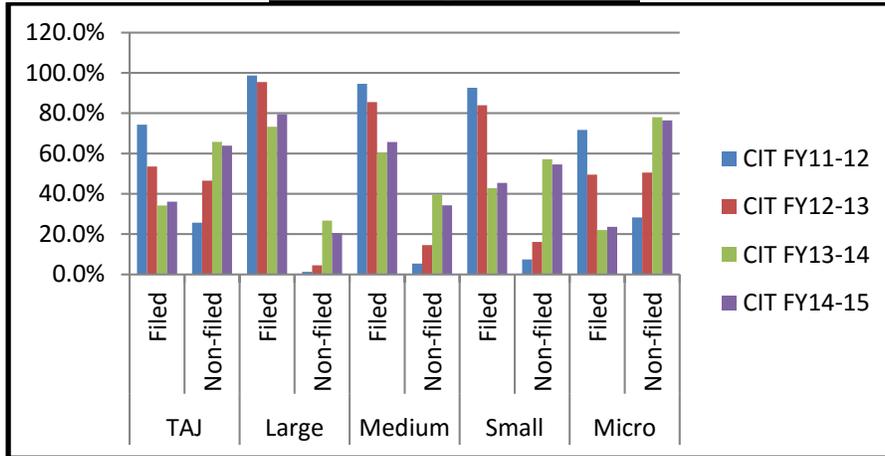


**FIG 2.12: PAYMENT COMPLIANCE RATING FOR MSME** Source: TAJ data



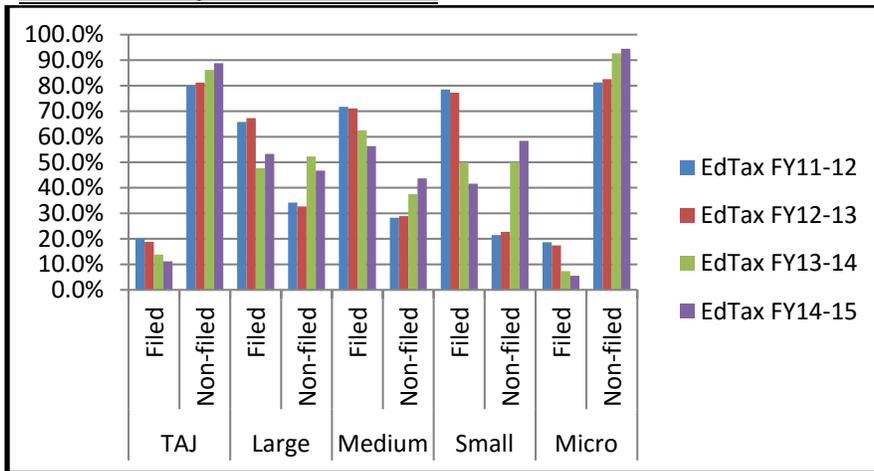
## FILING COMPLIANCE

**FIG 3.1: Filers/non-Filers CIT**



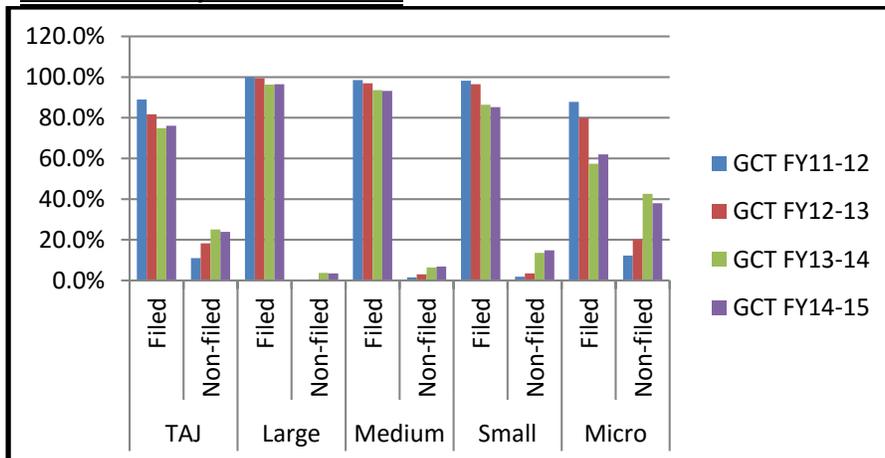
**FIG 3.2: Filers/non-Filers EDTAX**

Source: TAJ data



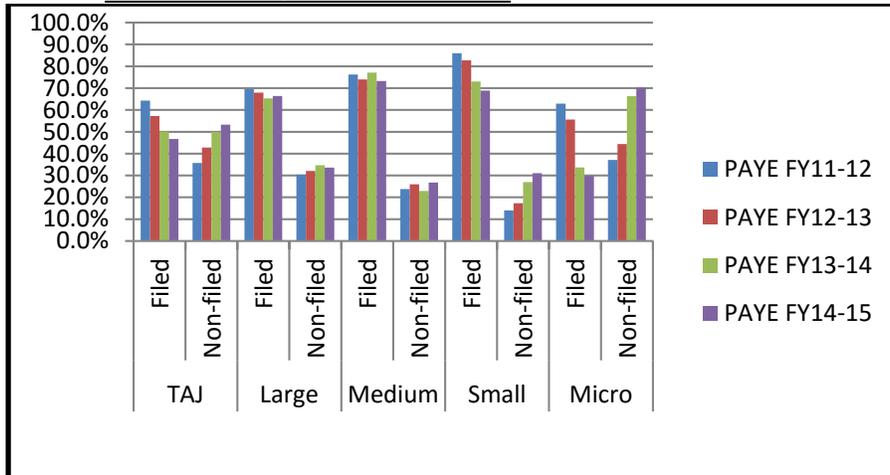
**FIG 3.3: Filers/non-Filers GCT**

Source: TAJ data



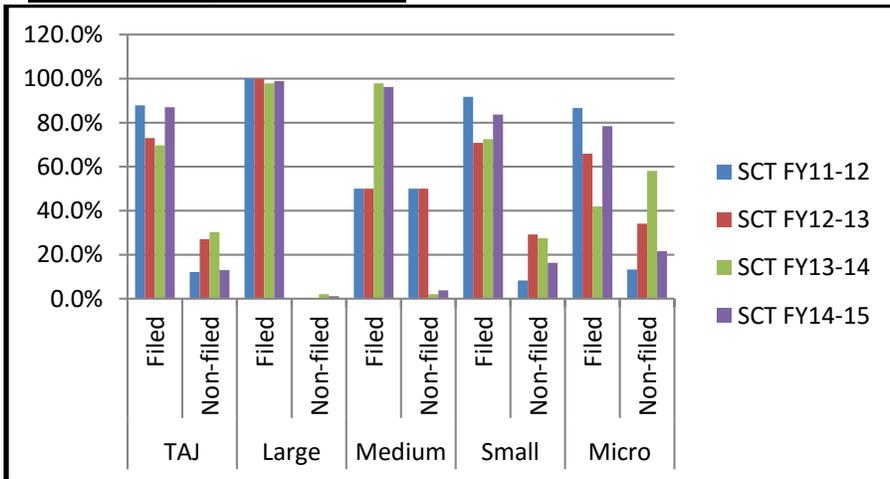
**FIG 3.4: Filers/non-Filers PAYE**

Source: TAJ data



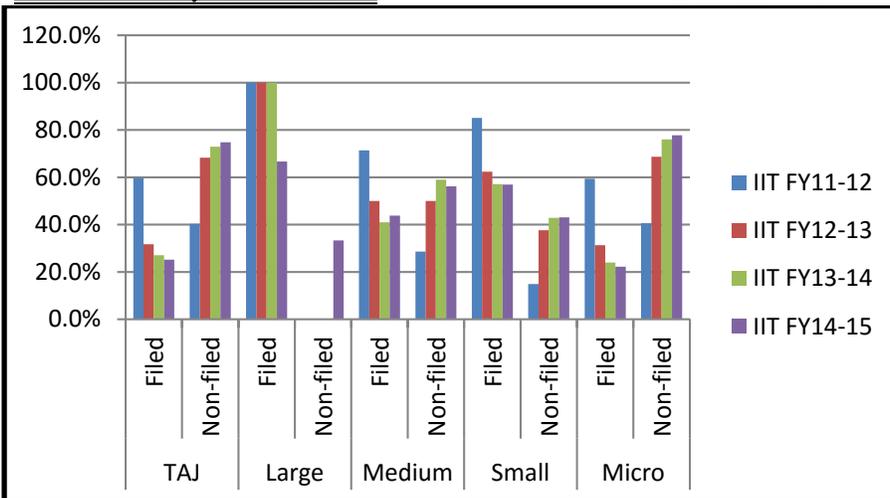
**FIG 3.5: Filers/non-Filers SCT**

Source: TAJ data



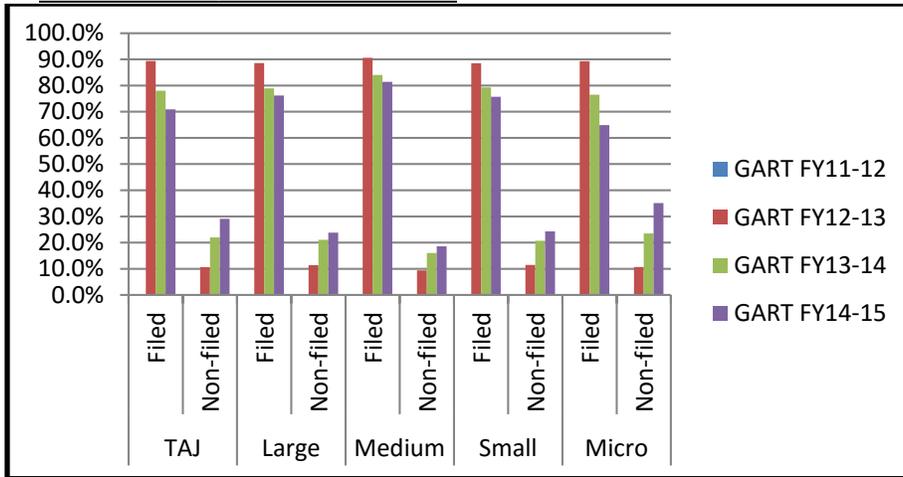
**FIG 3.6: Filers/non-Filers IIT**

Source: TAJ data

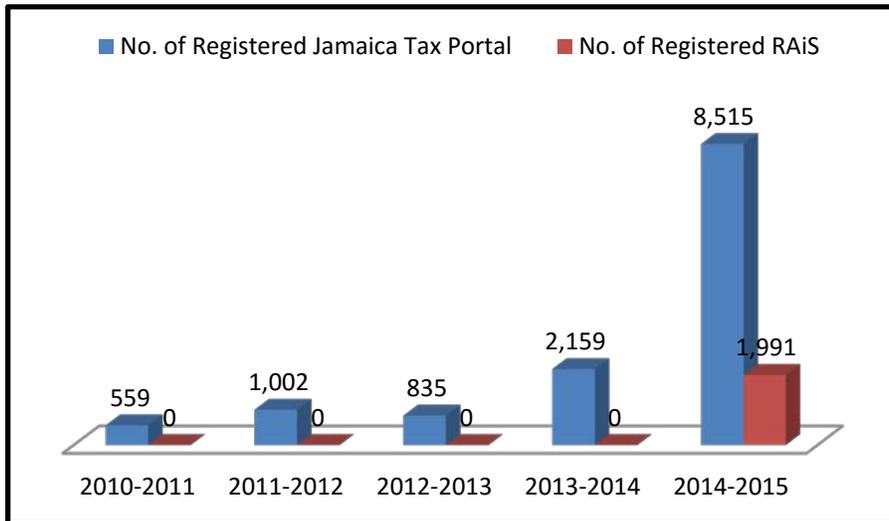


**FIG 3.7: Filers/non-Filers GART**

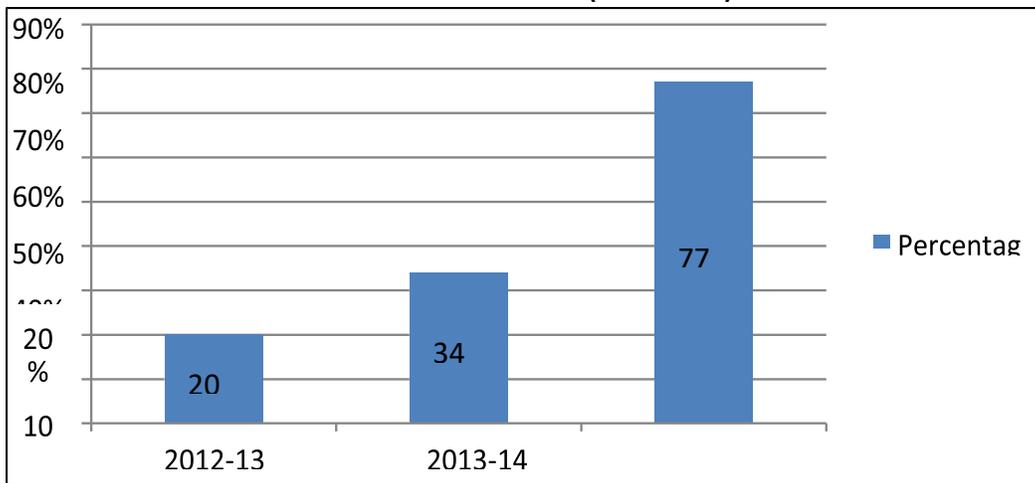
Source: TAJ data



**FIG 4.0 :E- FILING- Taxpayers Registered to e-File for the Fiscal Years 2010/11 - 2014/15**



**FIG 4.1: LTO E- FILING (2012-2015)**



## **Appendix 3–CG’s Additional Measures**

### **Garnishment and Lien**

Garnishment is a legal process whereby payments towards a debt owed by an individual can be paid by a third party who holds money that is due to the individual. It requires authorization by a court and is usually applied where the debtor receives a regular amount such as salary. In the amendment where the CG knows that ‘A’ has money or within a year will have money that will be paid to a tax debtor from interest, rent, remuneration, a dividend, an annuity or other periodic payment, the CG may write to ‘A’ and make an arrangement for all or a stated amount to be deducted from the money. If ‘A’ for whatever reason fails to pay the CG the amount or pays it to someone else then the CG can recover the sum from ‘A’ as a civil debt.

The amendment also provides that the letter of notification addressed to a business including a partnership is considered properly served if it is left with an adult person employed at the place of business.

A lien is a legal claim (or charge) against the property of someone who owes money. In pursuing the collection of taxes owed the CG may issue a certificate certifying the amount owed by the tax debtor and make an application to the Supreme Court for the debt to be a judgment debt. The application can be decided by a judge in chambers. If granted the CG can then register the charge in (a) the register Book of titles on property owned by the tax debtor, (b) in the Security Interests registry on securities – shares, debentures owned or (c) in the records Office for other assets. The effect of a lien is that the debt must be paid before title to the asset can be transferred.

The garnishment and lien processes to recover may only be undertaken by the CG when:

- the debt has been acknowledged by the taxpayer • in writing which includes filing a return.
- the time for making any objection or appeal in respect of the amount owed has expired, and the amount has not been paid.
- In the event of an objection or appeal in respect of the amount owed, the objection or appeal has been finally determined and the amount has not been paid.
- the amount owed has been finally determined by a court.

### **Set-Off of Amount Owed**

Where an amount owed by a tax debtor has not been paid, it may be recovered by deduction from money owed to the tax debtor by the GOJ. The amount that may be deducted or set-off “shall not include any amounts determined” by the CG that are “payable to the tax debtor” by the CG.<sup>17</sup> This seems to imply that no tax refunds may be used in these transactions. The CG has the authority to settle some part or the whole of the tax debt out of such a payment due from the GOJ.

**Information to Credit Bureaus**

The CG may disclose to credit bureaus the identity of the tax debtor and any amount owed to the CG. The information may not be disclosed earlier than five days after the tax debtor has acknowledged in writing the amount owed. Filing a tax return satisfies the acknowledgement in writing requirement and (a) the time for making any objection or appeal has expired and (b) the tax has not been paid.

**Publication of a List of Debtors**

The CG is given the authority to publish a list of tax debtors provided that for each debtor the CG's certificate has been registered in the Supreme Court.<sup>18</sup> The publication may be by way of publishing "in the Gazette, in any daily newspaper in nation-wide circulation in Jamaica, by means of broadcast media or any other form of mass media or on a website of the Government of Jamaica or tax administration Jamaica" the list shall contain (a) the amount owed (b) the name of the tax debtor and (c) the type of tax that is comprised in the amount owed.

The CG "shall periodically publish a revised list to update information that is contained in the immediate preceding published list". If the tax debtor pays the amount owed in full or makes an arrangement to pay to the satisfaction of, CG, he may be removed from the list. However, if a tax debtor, who was removed from a list and subsequently, is in breach of an agreement, the CG may add the tax debtor to a subsequent revised list, without having to register a certificate in the Supreme Court.

## Appendix 4 – Overview of “Know Your Taxpayer” Initiative

In an effort to improve the unsatisfactory levels of compliance amongst taxpayers, TAJ has defined and segmented its taxpayers. All functional areas of the Operations Division, and especially the Revenue Services Centres and Tax Offices are mandated to “Know Your Taxpayer”. The primary concept being institutionalized is that of “*knowing your taxpayer*”. It is felt that each Tax Office should manage taxpayers assigned to their locale where they should know:

1. the taxpayers who pay at least 80% of the taxes;
2. the tax inventory of the stated taxpayers;
3. the tax types that contribute approximately 80% of collection;

Each TAJ compliance relationship officer assigned to respective taxpayers should provide the widest possible services to taxpayers within their locale. This includes: provision of bulletins and other publication; conduct advisory visits; provide guidance as to what items are subject to GCT; ensure that taxpayers fulfil certain obligations: display GCT certificates, keep proper records, provide tax invoice and sales receipt.

The “Know Your Taxpayer” concept also extends to businesses not registered for tax purposes, but ought to be.

### Concept Summary

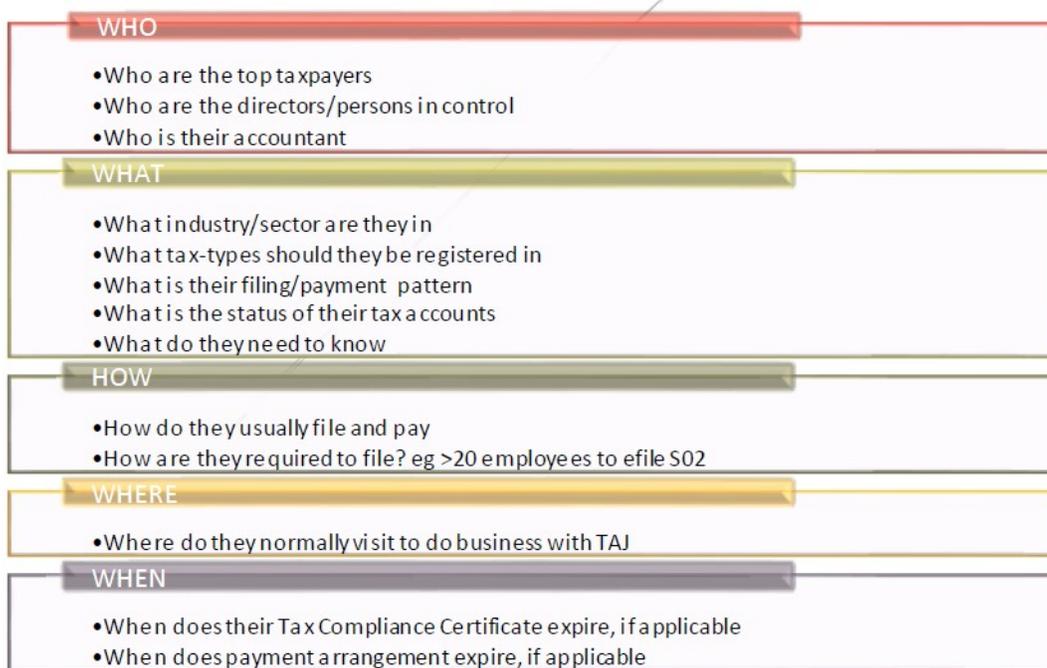


Figure 0.2: Concept Summary  
Source National Compliance Plan 2014-2016

## **Appendix 5–Annual Returns Deadline**

**The Income Tax and Education Tax Annual Returns for which late penalties are due includes:**

- S04 – Self-employed person's annual return **Due March 15th each year**
- S02 – Employer's annual return (PAYE and Statutory Contributions) **Due March 31<sup>st</sup> yearly.**
- IT02 - Return of income and tax payable - [organizations (bodies corporate)] **Due March 15<sup>th</sup>.**
- IT03 - Return of income and tax payable - [organizations unincorporated bodies other than life assurance)] **Due March 15<sup>th</sup>.**
- IT04 - Return of income and tax payable - [organizations (life assurance)] **Due march 15<sup>th</sup>.**
- IT07 - Declaration of estimated income and tax payable (bodies' corporate and unincorporated bodies) **Due March 15<sup>th</sup>.**
- S04a - Declaration of estimated income, taxes and contributions payable (self-employed individuals) **Due March 15<sup>th</sup>.**

## **Appendix 6 - Tax Administration Filing and Payment Maturity**

### **Filing and Payment: Maturity Level 1**

Key word: "Unfocused"

- Return forms use templates that vary by type of tax and contain insufficient information to determine liability. Returns are manually posted to ledgers and archived, but not otherwise analyzed (except when needed for other functions, such as audit). Only paper returns are used. Payments are accepted only at tax offices. Refunds are delayed and require budgetary appropriations.
- Complete tax return information is not captured electronically and cannot be used for analysis.
- There is no return verification (other than during audit).
- Filing, payment, and refund arrangements are separate for each type of tax and there is no standard.
- There are separate taxpayer accounts for each type of tax.
- There may be separate TINs / TRNs issued by tax type.
- Electronic data if it does exist is unreliable. There are no guarantees of paper archive security as tax employees have unrestricted access to files.
- There is no stop-filer program.
- What few penalty provisions exist in the separate laws are vague or incomplete (e.g., penalties, but no interest).

## **Filing and Payment: Maturity Level 2**

Key word: "Burdened by processing"

- Returns contain sufficient information to determine liability, but continue to use templates that vary by type of tax. Returns are subject to an extensive annual review before it can be accepted as files and then sent for data capture and archived. Only paper returns are used. Payments through banks are allowed. Refunds are delayed and require budgetary appropriations.
- Limited information is captured electronically (not enough to determine liability). Information is not captured as soon as practical (i.e., before computational verifications, audits, etc.) and there are inadequate system checks to ensure data integrity.
- Filing, payment, and refund arrangements are separate for each type of tax, and there is no standard.
- Although combined into a single revenue accounting system, taxpayer accounts continue to be separate for each type of tax with no coordination.
- There are some measures of security for paper archives, but measures for electronic data protection and disaster recovery are deficient.
- There is still no stop-filer program.
- There is a set of financial penalty provisions for various delinquencies, but they are insufficient and differ across taxes.

## **Filing and Payment: Maturity Level 3**

Key word: "Process-driven"

- Returns contain sufficient information to determine liability and use a standard template. Returns are verified, captured electronically, and archived. E-filing is allowed. Payments through banks are allowed. Refunds do not require budgetary appropriations, but are still delayed.
- Information sufficient to determine liability is captured electronically as soon as practical (i.e., before computational verifications, audits, etc.).
- Although standardized, filing, payment, and refund arrangements continue to be separate for each type of tax.
- Although combined into a single taxpayer accounting system, taxpayer accounts continue to be separate for each type of tax.
- Security of taxpayer data (both electronic and paper) is ensured.
- Stop-filers are identified and pursued, but in an ad hoc fashion as other priorities permit.
- There is a set of consistent financial penalty provisions, set at appropriate levels and covering all delinquencies.

## Filing and Payment: Maturity Level 4

Key word: "Program-driven"

- Returns and payments are standardized, expedited, and, where possible, e-filing and e-payment exist and are mandatory for large taxpayers. Returns are captured electronically, verified, and archived. Refunds are expedited through the use of a risk assessment process.
- Information sufficient to determine liability and support tax analysis is captured electronically as soon as practical.
- Taxpayers are offered a consolidated view of their tax account, combining all payments and returns into a single balance with the ability to offset refunds against other tax liabilities.
- Security of taxpayer data (both electronic and paper) is ensured.
- Stop-filers are systematically identified and pursued according to a well-defined stop-filer program.
- There is a set of consistent penalty provisions for all types of delinquencies (non-filing, non-registration, late filing, non-payment, late payment, etc.). These are set at sufficient levels to promote compliant behavior by taxpayers.
- There is a set of consistent penalty provisions for all types of delinquencies (non-filing, non-registration, late filing, non-payment, late payment, etc.). These are set at sufficient levels to promote compliant behavior by taxpayers.<sup>18</sup>

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<sup>18</sup> David Crawford, Detailed Guidelines for Improved Tax Administration in Latin America and the Caribbean