Jamaica
Tax Guide
2016/17
FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2016/17 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world’s most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 30 April 2016, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

Services provided by member firms include:

- Assurance & Advisory;
- Financial Planning / Wealth Management;
- Corporate Finance;
- Management Consultancy;
- IT Consultancy;
- Insolvency - Corporate and Personal;
- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com
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STRUCTURE OF COUNTRY DESCRIPTIONS

A. TAXES PAYABLE

COMPANY TAX
NEW ASSET TAX REGIME
CAPITAL GAINS TAX
BRANCH PROFITS TAX
GENERAL CONSUMPTION TAX (GCT)
LOCAL TAXES:
NATIONAL INSURANCE (NIS)
NATIONAL HOUSING TRUST (NHT)
EDUCATION TAX
OTHER TAXES

B. DETERMINATION OF TAXABLE INCOME

NEW CAPITAL ALLOWANCE REGIME (1 JAN 2014)
CAPITAL GAINS AND LOSSES
DIVIDENDS
INTEREST DEDUCTIONS
TRADE LOSS RELIEF
FOREIGN SOURCE INCOME

C. FOREIGN TAX RELIEF

D. CORPORATE GROUPS

E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAXES

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES
MEMBER FIRM

<table>
<thead>
<tr>
<th>City</th>
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<th>Contact Information</th>
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</tbody>
</table>

BASIC FACTS

Full Name: Jamaica  
Capital: Kingston  
Main Languages: English, Jamaica Patois  
Population: 2.95 million (2015 estimate)  
Major religion: Christianity  
Monetary Unit: Jamaican Dollar (JMD)  
Internet domain: jm  
Int. dialling code: +1 876

KEY TAX POINTS

- Jamaican resident companies are liable to income tax on all sources of non-exempt income wherever arising.
- A non-resident company is taxed on income of a branch carrying on a trade or business in Jamaica, i.e. the income arises in Jamaica.
- The Tax year of ‘year of assessment’ is a period of 12 months commencing on 1 January in each year.
- There is no Income Tax on capital gains secured on the disposal of capital assets. However, there is a transfer tax of 5% of gross consideration or market value when title passes.
- Branches of non-resident corporation or companies doing business in Jamaica are taxed on the profits arising in Jamaica. The rate of tax is 25%.
- General Consumption Tax (GCT) is generally imposed at the standard rate of 16.5% effective on the supply in Jamaica of goods or services by a ‘registered taxpayer’ and on the importation of goods or services by any person for consumption in Jamaica.
- The chargeable income of a company is determined by deducting all non-capital disbursement and expenses wholly and exclusively incurred in acquiring the income from all taxable income brought into charge. Domestic and private expenses are not allowable.
- There are no exchange controls in Jamaica at this time.
- Personal Tax: An individual who is resident, ordinarily resident and domiciled in Jamaica is subject to Income Tax on his worldwide income as it arises. Non-residents are subject to tax on income arising from Jamaica. Income is taxed at Nil for the first JMD 557,232 and then for each dollar exceeding JMD 557,232 at 25 cents.

A. TAXES PAYABLE

COMPANY TAX

Jamaican resident companies are liable to income tax on all sources of non-exempt income wherever arising. A company is regarded as resident in Jamaica if its central management and control is located and exercised in Jamaica. A non-resident company is taxed on income of a branch carrying on a trade or business in Jamaica, i.e. the income arises in Jamaica.

The Tax year of ‘year of assessment’ is a period of 12 months commencing on 1 January in each year. Companies are assessed tax on their income which arises in the basis period and this normally coincides with the year of assessment. Where the company usually makes up its accounts for a
period other than the calendar year, the Commissioner of Income Tax will allow this period to be substituted for the calendar year. The company is expected to submit its Return by 15 March following the year of assessment and to pay any balance of tax due. The company is required by law to make payment of tax based on the results of the preceding year (estimated tax). Payment of estimated tax is due in four equal instalments on 15 March, 15 June, 15 September and 15 December. Any balance of tax is payable by the following 15 March when the Return is due for filing.

An amendment to Corporate Income Tax became effective January 1, 2013. The corporate income tax rate structure was modified as follows:

a) Tax charge for regulated companies is now 331/3%, unless otherwise specified;
b) Tax charge for un-regulated companies is now 25%;
c) Building Societies special rate is 30% (as before);
d) Life Insurance Companies (i) is 15% (as before);
e) Life Insurance Companies (ii) is 3% (as before).

The regulated companies include those companies regulated by:

- Financial Services Commission (FSC);
- Office of Utilities Regulations (OUR);
- Bank of Jamaica (BOJ) and
- Ministry of Finance and Planning (MOFP).

**NEW ASSET TAX REGIME**

The filing date for the Declaration of Assets for a Company has moved from 1st September to 15th March of the same year based on the Financial Statements for the previous Accounting Period.

**Example**

Y/A 2014: Due to be filed on 15th March 2014 using 2013 Financials
Y/A 2015: Due to be filed on 15th March 2015 using 2014 Financials.

The asset tax rates for 2015 are as follows:

<table>
<thead>
<tr>
<th>Value of Asset</th>
<th>Asset Tax</th>
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<tbody>
<tr>
<td>Less than JMD 50,000</td>
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<tr>
<td>At least JMD 50,000 but less than JMD 0.5M</td>
<td>25,000</td>
</tr>
<tr>
<td>At least JMD 0.5M but less than JMD 5M</td>
<td>100,000</td>
</tr>
<tr>
<td>At least JMD 5M but less than JMD 50M</td>
<td>150,000</td>
</tr>
<tr>
<td>At least JMD 50M</td>
<td>200,000</td>
</tr>
</tbody>
</table>

Effective from the Year of Assessment 2013, Asset Tax is not an allowable deduction under the Income Tax Act.

**CAPITAL GAINS TAX**

There is no Income Tax on capital gains secured on the disposal of capital assets. However, there is a transfer tax of 5% of gross consideration or market value when title passes. Effective 1 June 2005, the transfer tax payable at death will be simplified and the rate reduced as follows:

(i) The first JMD 100,000 value of the estate – no tax;
(ii) Balance over JMD 100,000 – 7.5%;
(iii) Effective 16 May 2011, the existing fee structure applicable to deceased estates were abolished.

Thereafter, fees will be applied as ‘ad valorem’ stamp duty as follows:

- Estates whose net value is JMD 10 million or less – JMD 5,000;
- Estates whose net value is above JMD 10 million but less than JMD 20 million – JMD 10,000;
- Estates whose net value is above JMD 20 million but less than JMD 30 million – JMD 15,000;
- Estates whose net value is above JMD 30 million, but less than JMD 40 million – JMD 20,000;
- Estates whose net value is JMD 40 million and above – JMD 25,000.
BRANCH PROFITS TAX

Branches of non-resident corporation or companies doing business in Jamaica are taxed on the profits arising in Jamaica. The rate of tax is 25%.

GENERAL CONSUMPTION TAX (GCT)

General Consumption Tax (GCT) is generally imposed at the standard rate of 16.5% effective on the supply in Jamaica of goods or services by a 'registered taxpayer' and on the importation of goods or services by any person for consumption in Jamaica. A large number of goods and services are zero rated, which means that the supplier does not charge GCT on the supply but may credit GCT on incoming supplies against the tax chargeable on non-zero-rated supplies he makes. In addition, many goods and services are GCT exempt. Certain goods are subject to special consumption tax (SCT) and not GCT. This is levied on the manufacture for sale in Jamaica and the import into Jamaica of prescribed goods such as petroleum products, cigarettes, spirits and beer.

LOCAL TAXES:

NATIONAL INSURANCE (NIS)

National Insurance (NIS) is payable on emoluments up to a maximum of JMD 125,000 per month at a rate of 2.5%. Effective 7 January, 2013, maximum emoluments subject to NIS has been increased from JMD 1,000,000 to JMD 1,500,000 per annum at 2.5% (maximum JMD 37,500 – JMD 1,500,000 per annum or JMD 3,125 per month).

This compulsory deduction is made both by employer and employee and goes towards the provision of a pension at age 60 for women and 65 for men who have retired. If still employed, however, the NIS pension is deferred for a further period of five years or the date that employment ceased whichever is earlier. Effective 7 January 2013, the National Insurance Contribution was increased and is now based on 5% of maximum salary of JMD 1,500,000 – which is JMD 75,000. This is allocated as follows:

- Contribution by Employee 2½% - JMD 37,500;
- Contribution by Employer 2½% - JMD 37,500.

NATIONAL HOUSING TRUST (NHT)

National Housing Trust (NHT) is payable by the employee at 2% of taxable emoluments. The contributions together with any accrued bonus or interest are refundable to the contributor on an annual basis after seven years and fully on retirement. Note that the expatriate employee is refunded the full sum when he leaves the island. Self-employed persons pay NHT of 3% of chargeable income. Employer makes a like contribution of 3% of gross emoluments.

EDUCATION TAX

The Education Tax is payable at 2.25% of taxable emoluments. Contributions continue until age 65 years (men and women). Contributions are not refundable. Employer makes a like contribution of 3.5% of gross emoluments. Self-employed persons pay education tax at 2.25% of chargeable income. There is no age limit.

OTHER TAXES

Custom fees, excise and stamp duties are imposed. Land is taxed on the unimproved value basis. The Construction Industry and Tillage are subject to a levy of 2% of contract price payable to the Commissioner of Inland Revenue. This is treated as payment on account of tax liability of the payee but, if there is no liability or lesser liability to tax, the excess is not refundable nor can it be used to set off against any tax liability.
B. DETERMINATION OF TAXABLE INCOME

The chargeable income of a company is determined by deducting all non-capital disbursement and expenses wholly and exclusively incurred in acquiring the income from all taxable income brought into charge. Domestic and private expenses are not allowable. Special deductions include the following.

NEW CAPITAL ALLOWANCE REGIME (1 JAN 2014)

As a part of the Income tax reform, the capital allowances regime has been standardised and streamlined. This will include:

- The discontinuance of the various Incentives embedded therein e.g. Investment allowances and accelerated tax depreciation to agriculture and manufacturing sectors;
- Providing allowances to certain categories of capital expenditure not currently covered;
- Providing greater alignment between the useful economic life of various categories of assets and their write-off periods for tax purposes;
- Allowing capital expenditure to be written-off using the straight-line method;
- Standardising the application of the regime across sectors and facilitating enhanced administration of same.

General Rule:
Capital expenditure (on specified assets) incurred on or after January 1, 2014 will be written-off in accordance with the new capital allowance regime as outlined below. All capital expenditure incurred on or after January 1, 2014 will be written-off using the straight line method. Capital expenditure incurred prior to January 1, 2014 will continue to be written-off for income tax purposes in accordance with the rules existing prior to January 1, 2014, as if there were no changes.

Capital allowances are granted for depreciation of equipment, plant and machinery and other assets used in the business at the following rates using the straight line method:

- **Plant, machinery and equipment:**
  a) First year allowance (initial allowance) – 25% of expenditure incurred in basis period
  b) Annual allowance – 12.5%.

- **Private cars:**
  a) First year allowance – nil
  b) Annual allowance – 12.5% of cost (not exceeding US$35,000).

- **Trade vehicles:**
  a) First year allowance – nil
  b) Annual allowance – 20% of cost (straight-line).

- **Industrial buildings:**
  a) First year allowance – 20% of cost
  b) Annual allowance – 4%, 10%, or 12.5% dependent on type of construction and whether housing machinery.

- **Other buildings:**
  a) First year allowance – nil
  b) Annual allowance – 4%, 10%, or 12.5% dependent on type of construction and whether housing machinery.

- **Automatic Data Processing**
  a) First year allowance – 20%
  b) Annual Allowance – 20%

CAPITAL GAINS AND LOSSES

See discussion above.

DIVIDENDS

In addition to the tax on the company's profits, a further tax is payable when any distribution or dividends are made. If distribution or dividends are made to regulated company, the rate of withholding is 33.3%. If, however, this is made to an individual or unregulated company, the rate is 25%. The rate of withholding tax is modified if distributions are made to residents of double taxation.
treaty countries. The negotiated rates provided in the relevant articles are applicable. As of 1 April 2002, the rate of tax payable on dividend income derived from companies listed on the Jamaica Stock Exchange is nil.

As from 1st July 2009, dividends payable by resident unlisted companies to non-resident shareholders (individual and companies) are subject to tax at rates appropriate to them and the companies making such distributions are required to deduct tax due and account for it to the Inland Revenue Department. Dividends and distributions made from profits which are relieved or exempt from tax by virtue of various incentive legislation would not be subject to tax, unless they are in fact taxable in the country of the taxpayer's residence. Capital distribution or capital dividends are not subject to income tax but are, however, subject to transfer tax (rate 7.5%).

INTEREST DEDUCTIONS

Interest paid upon any money borrowed on capital employed in acquiring the income is tax deductible.

TRADE LOSS RELIEF

There are changes in loss relief and the way a trade loss can be utilised. The position is as follows:

a) Tax losses can be carried forward for any number of years, however
b) Effective for the year of assessment 2014, loss brought forward will be restricted for relief against current year taxable profits of up to 50% of taxable profit (excluding the loss).

This 50% limit will not apply:

a) For the first five (5) years after a business commences trading. Commissioner General of TAJ will determine when it is a business commences trading and the relief available.
b) Where the taxpayer’s gross revenue from all sources for the year is equal to or less than JMD 3 million.

FOREIGN SOURCE INCOME

Where the company is resident in Jamaica, i.e. its central management and control is situated in Jamaica, the income of such company wherever it arises is subject to tax in Jamaica. This includes:

a) Branch or agency profits from business outside Jamaica
b) Dividend, interest, royalties and rents outside Jamaica.

C. FOREIGN TAX RELIEF

Unilateral relief by the credit method is granted to residents and non-residents against income tax payable in Jamaica on any income which is also subject to Commonwealth income tax. For residents of Jamaica, the maximum credit is one-half of the Jamaican income tax rate, i.e. 16.67% in the case of corporations and 12.5% in the case of individuals.

If the Commonwealth income tax rate on the income concerned does not exceed half the Jamaican rate (16.67% and 12.5%), full relief is granted for the Commonwealth tax. Jamaican residents who are liable to pay Jamaican tax on income in respect of which United Kingdom tax is also payable are entitled to relief equal to the amount by which Jamaica tax exceeds half the rate of United Kingdom tax payable. If the Jamaican rate exceeds the United Kingdom rate, the relief is equal to half of the United Kingdom rate.

Unilateral relief is generally provided by way of deduction for taxes payable in other overseas territories.

Where a claim for double taxation relief is made under a treaty, the Jamaican income tax is reduced by the appropriate amount of the credit for foreign tax. The credit may not exceed tax at the Jamaican rate on the income concerned computed under Jamaican income tax principles, before any allowance of credit.
D. CORPORATE GROUPS

Tax liability in a group basis is not permissible. The liability of each company within the group is determined separately.

E. RELATED PARTY TRANSACTIONS

Related party transactions which are carried out for considerations not at arm's length, intended to secure a benefit or tax advantage or to reduce the tax payable, are counteracted by the Commissioner, taking appropriate actions to negate this advantage.

F. WITHHOLDING TAXES

New Witholding tax on Specified Services effective 1 May 2015
The Tax Administration Jamaica and the Ministry of Finance introduced a 3% Withholding Tax on specified services on 1 September, 2015. At its implementation the tax will be withheld from Specified Services by Tax Withholding Agents (TWA). The Specified Services include: • Accounting; • Auditing; • Catering; • Consultancy; • Decorating; • Engineering (Architectural, electrical, mechanical and structural); • Entertainment; • Information technology; • Janitorial; • Laundry; • Landscaping; • Legal; • Management; • Repairs and maintenance; • The rental or leasing of motor vehicles or equipment; • Transportation, haulage or tours; and • Any other services specified by the Minister by order published in the Gazette.

The TWAs who are required to withhold the Tax when making payments to suppliers in the initial stage are:
• All Ministries of Government.
• An Executive Agency, an agency or a department of Government.
• All Statutory Bodies or Authorities.
• Financial institutions regulated by the Bank of Jamaica (BOJ) and the Financial Services Commission (FSC).
• Tourism operators.
• Utility companies that have annual gross revenue of JMD 500,000,000 and over.
• Cable companies that have annual gross revenue of JMD 500,000,000 and over.
• The Council of the Kingston and St. Andrew Corporation.
• Any person with annual gross revenue exceeding five hundred million dollars (JMD 500,000,000), including any entity with such revenue that is exempt from the payment of income tax.

G. EXCHANGE CONTROL

There are no exchange controls in Jamaica at this time.

H. PERSONAL TAX

An individual who is resident, ordinarily resident and domiciled in Jamaica is subject to Income Tax on his worldwide income as it arises. Non-residents are subject to tax on income arising from Jamaica.

Residence is determined by physical presence in Jamaica for period of six months. Regular visits of substantial periods may make such visitor a resident, even though the stay is less than six months. Broadly, an individual is domiciled in the country or state which he regards as his permanent home. He acquires a domicile of origin at birth normally that of his father and retains it until he acquires a new domicile of choice. To acquire a domicile of choice, a person must sever his ties with his domicile of origin and settle in another country with the clear intention of making it his permanent home. A commonwealth citizen not ordinarily resident in Jamaica or any resident not domiciled in Jamaica is taxed on unearned income only to the extent that is remitted to Jamaica. The Pay-As-You-Earn (PAYE) system of collection is in operation. The employers, who act as agent for the Commissioner of Income Tax, deduct tax from salaries, wages and other emoluments of employees and account for tax so deducted by the 14th day of the month following the period for which the deduction was made.
Failure to do so will result in the employer being charged interest at 40% and penalty at 50% from the
day after the due date to the date of payment on the sum payable.

Self-employed individuals pay their taxes in advance by four quarterly instalments based either on the
chargeable income of the previous year or their estimated chargeable income of the current year. The
instalments are due on 15 March, 15 June, 15 September and 15 December. Any balance of tax is
payable on filing of the Returns on the following 15 March. There is total exemption of emoluments
paid to individuals who are suffering from a disabling permanent physical handicap or a disabling
permanent mental handicap but are capable of being gainfully employed.

As of January 1, 2013 there is also exemption of JMD 80,000 from superannuation allowance or
pension under either a statutory pension scheme or an approved retirement scheme. Further there is
an old age allowance of JMD 80,000 to an individual who attained age of 65 at any time during the
year of assessment. Tax shall be levied and paid for each year of assessment at the following rates:
• For the first JMD 557,232 = Nil.
• For each dollar exceeding JMD 557,232 = 25 cents.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

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<th>Dividends (%)</th>
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</table>

Notes:
1 Treaty negotiated with Caricom countries but only Trinidad and Tobago, Belize, Jamaica, St
Lucia, and Barbados have ratified. Benefits apply only to these countries.

Minimum Business Tax
The Minimum Business Tax of JMD 60,000 which was introduced in 2014 and which is payable in two
Equal Instalments of JMD 30,000 each payable 15th June and 15th September has been amended. In
respect of individuals, the threshold has been increased to five million (JMD 5m), up from the previous
three million dollars (JMD 3m). This does Not Apply to Companies. Provisions have also been made
for, any company incorporated under the Companies Act for not more than twenty-four months,
registered charities, international organizations subject to the Diplomatic Immunities and Privileges
Act and individuals with gross revenue below JMD 5m are exempt from paying the Minimum Business
Tax.

The Minimum Business Tax, which was implemented in April 2014, requires persons operating a
business to pay a Minimum Business Tax of JMD 60,000 for the year in two instalments on June 15
and September 15. It applies to all companies or other corporate bodies incorporate or registered in Jamaica, including overseas companies conducting business in Jamaica. Companies which are exempted from the payment of Income Tax or operating under an income tax incentive regime are also liable to pay MBT. In addition, companies making a loss, as well as companies that are dormant are also liable to pay the MBT. The Minimum Business Tax is credited towards income tax payable for the particular year of assessment and is to be claimed on the final income tax return.