

# TRADE BEAT

VOLUME 9 ISSUE 5

**INTERNATIONAL  
&  
INDUSTRY  
LIAISON UNIT**



## **FISCAL INCENTIVES FOR THE PRODUCTIVE SECTOR (PART 2)**

### **THE CUSTOMS TARIFF (REVISION) (AMENDMENT) RESOLUTION, 2013 (RECAP)**

The Government of Jamaica embarked on a bold initiative to reform the country's fiscal incentive schemes. This led to the enactment of the Fiscal Incentives Act, also referred to as the Omnibus, which came into effect on January 1, 2014. One piece of legislation amended and introduced under the Omnibus was the Customs Tariff (Revision) (Amendment) Resolution, 2013 ("this Resolution"). Amendments were made to the First, Second and Third Schedules to the Customs Act. The amendments to the Third Schedule included four new parts, which spoke to Productive Inputs Relief (PIR) for select sectors. The *new parts of the Third Schedule* are as follows:



- **Part 5** relates to PIR for the *Production of Primary Products and the Manufacture of Goods*
- **Part 6** relates to PIR for the *Tourism Industry*
- **Part 7** relates to PIR for the *Creative Industries*
- **Part 8** relates to PIR for the *Healthcare Sector*

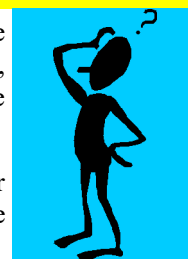
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### **PART 5- Productive Inputs Relief for the Production of Primary Products**

#### **WHAT DOES PRODUCTION OF PRIMARY PRODUCTS MEAN?**

Production of primary products means the production (whether by means of cultivation, growth, breeding or rearing or otherwise (similar processes)) of:



- agricultural crops, livestock, poultry or dairy products or dairy products in the course of conducting **farming** operations;
- products directly derived from **apiculture** (beekeeping) operations;
- timber and other tree products in the course of conducting **forestry** operations;
- Seeds, flowers, shrubs, herbs and other plants in the course of conducting **horticultural** operations; or
- fish and other freshwater and marine organisms in the course of conducting **aquaculture** operations.

In summary, a taxpayer, who has been approved by the Ministry of Industry, Commerce, Agriculture and Fisheries may benefit from Productive Inputs Relief under this Part on items used in the following operations: farming, apiculture, forestry, horticulture and aquaculture.



# FISCAL INCENTIVES FOR THE PRODUCTIVE SECTOR

## PART 5 (cont'd) - Productive Inputs Relief for the Manufacture of Goods

### THE MANUFACTURE OF GOODS MEANS...

(a) the production of goods in Jamaica by means of a process of manufacture, but does not include the production of goods which result from a process that consists primarily of any one or more of the following:

- (i) dividing (including cutting), purifying, drying, mixing, sorting, packaging, branding, testing or applying any other similar process to a product, produce or material that is acquired in bulk so as to prepare that product, produce or material for sale or distribution, or any combination of such processes;
- (ii) applying methods of preservation or maturation or other similar treatment to any foodstuffs or any combination of such processes;
- (iii) cooking, baking or otherwise preparing food or drink for human consumption which is intended to be consumed at or about the time it is prepared, whether or not in the building to which it is delivered after being prepared;
- (iv) improving or altering any articles or materials without making a change in their character; or
- (v) Repairing, refurbishing, reconditioning, restoring or other similar processing of any articles or materials, or any combination of such processes; **OR**



(b) The production of goods in Jamaica that the Commissioner of Customs determines are produced by a process which results in the **transformation of the raw material, or intermediate goods**, used in the process (hereinafter referred to as “production inputs”) into goods that are **new OR distinct**, having regard to their **name, use or character** (including where the goods produced possess unique physical, chemical, technological, legal or commercial characteristics) **when compared to the production inputs used.**

In summary, a taxpayer, who has been approved by the Ministry of Industry, Commerce, Agriculture and Fisheries, may benefit from Productive Inputs Relief for the manufacture of goods based on the process used to produce the same goods. However, if the process has been listed in items (a) (i) to (v), the inputs to be used in the process would not qualify for Productive Inputs Relief, unless it can qualify under item (b).

#### Definition of a Taxpayer

This Resolution defines taxpayer as “a person who would be liable for the payment of customs duty if it were not for the exemption provided under this Part.”



# FISCAL INCENTIVES FOR THE PRODUCTIVE SECTOR

## Concessionary Benefits for Producers of Primary Products and Manufacturers

A taxpayer who has been approved for Productive Inputs Relief based on Part 5 of the Third Schedule of this Resolution is eligible to receive concession on several categories of inputs. The categories of inputs include: **raw materials, intermediate goods, consumables, packaging materials, and machinery and equipment (including parts thereof).**



### Raw Materials apply to:

✓Natural or primary goods which have not been worked or processed but the preservation of which is ensured during transportation or storage so that their original characteristics are unaltered or remain substantially unaltered.

✓Goods that are imported by a taxpayer as raw materials which, to the satisfaction of the Commissioner of Customs, are for direct use in the production of primary products or the manufacture of goods in Jamaica by that taxpayer.



### Intermediate Goods apply to:

✓Goods which have been transformed from their natural state by being worked or processed, but which have to undergo further working or be incorporated along with some other goods or material in the production of primary products or the manufacture of goods.

✓Goods that are imported by a taxpayer as intermediate goods which, to the satisfaction of the Commissioner of Customs, are for direct use in the production of primary products or the manufacture of goods in Jamaica by that taxpayer.



### Consumables apply to:

✓Materials (excluding lubricating oils or fuel for use in internal combustion engines) and articles consumed or expended by a taxpayer directly in the process of the production of primary products or the manufacture of goods.

✓Goods that are imported by a taxpayer as consumables which, to the satisfaction of the Commissioner of Customs, are to be directly consumed or expended in the production of primary products or the manufacture of goods in Jamaica by that taxpayer.





# FISCAL INCENTIVES FOR THE PRODUCTIVE SECTOR

## Concessionary Benefits for Producers of Primary Products and Manufacturers (cont'd)



**Packaging Materials** apply to:

- ✓Materials used to contain, protect, identify, preserve or display primary products or manufactured goods.
- ✓Goods that are imported by a taxpayer as packaging materials which, to the satisfaction of the Commissioner of Customs, are used



to package primary products produced or the goods manufactured in Jamaica by that taxpayer.



**Machinery and Equipment** (including parts thereof) apply to:

- ✓Machinery and equipment (including parts thereof) imported by a taxpayer which, to the satisfaction of the Commissioner of Customs, are for direct use in the production of primary products or the manufacture of goods in Jamaica by that taxpayer; or
- ✓Machinery and equipment (including parts thereof) imported by a taxpayer which, to the satisfaction of the Commissioner of Customs, are direct use for quality control testing, packaging, or climate-controlled storage of such products or goods by that taxpayer.
- ✓*Quality control testing* means the inspection and testing of primary products or manufactured goods with a view to identifying and eliminating defects therein or maintaining compliance with any applicable requirements and standards.



## Customs Duty Treatments for Eligible Concessionary Inputs

Bona fide manufacturers and producers of primary products are eligible to receive duty-related benefits on their imports. These benefits reduce the amount of duties payable and allow the finished goods to be more competitive in the market. The taxpayer whose processes qualify for Productive Inputs Relief under Part 5 benefits from import duty (**ID**) exemption by paying a rate of 0%.

As a bona fide manufacturer or producer of primary products, there are additional duty concessions that the taxpayer is eligible for. These additional duty exemptions include:

- ◆ Additional Stamp Duty (**ASD**) Exemption
- ◆ Standard Compliance Fee (**SCF**) Exemption
- ◆ General Consumption Tax (**GCT**) Deferment
- ◆ Customs Administrative Fee (**CAF**) 50% Discount



# FISCAL INCENTIVES FOR THE PRODUCTIVE SECTOR

## Customs Duty Treatments for Eligible Concessionary Inputs (cont'd)

There are special conditions for the application of the GCT deferment and the CAF discount as outlined below:

- ⇒ **GCT Deferment**– GCT deferment applies only to bona fide manufacturers. In order to benefit from the GCT deferment facility, the manufacturer must apply to Tax Administration Jamaica (TAJ). The taxpayer would submit this application to the TAJ subsequent to the taxpayer's qualification for Productive Inputs Relief. It must be highlighted that the GCT deferred on imported inputs is not an exemption, and, therefore, must be paid within the time specified by the GCT Act.
- ⇒ **CAF Discount**– The 50% discount on CAF is currently applicable to certain inputs only. The inputs are specific to raw materials, intermediate goods, and packaging materials. This is indicative that full CAF is payable on the consumables and machinery and equipment (including parts thereof).



## Conditions to Importing Concessionary Inputs



It is important to note that there are restrictions to the Productive Inputs Relief incentives. Paragraph 2 of Part 5 of the Third Schedule of this Resolution provides a list of the goods that are not eligible for exemption from import duty under Part 5. **Ineligible items** include:

1. Goods listed in Part I of the Fourth Schedule to this Resolution. Part I of the Fourth Schedule is a list of commodities ineligible for conditional duty exemptions. For example, goods that would normally qualify for import duty exemption based on the Productive Inputs Relief incentive, but which are listed in Part I of the Fourth Schedule, would not be eligible for the import duty exemption.
2. Goods of a type which the Commissioner of Customs is satisfied can be obtained in adequate supplies from a manufacturer or producer in Jamaica or within the Common Market area.
3. Goods imported for the purpose of manufacturing or producing tangible, immovable property.
4. Milk and cream in powder, granules or other solid forms which the Commissioner of Customs is satisfied are imported for use solely as raw materials or intermediate goods in the manufacture of any goods other than- infant foods, milk based nutritional supplements, condensed milk, baked products, chocolate, ice-cream, yoghurt, and chocolate confectionery.
5. Spirits which are imported as raw materials or intermediate goods for the purpose of manufacturing spirits.

This list of ineligible goods is not exhaustive; a complete listing can be found in the Customs Tariff. However, it is recommended that taxpayers contact a licensed customs broker to assist with information for items being imported for production or manufacturing.



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The International and Industry Liaison Unit is committed to raising the level of awareness on topics relating to the Caribbean Community, as well as issues concerning the wider topic of international trade, to both our internal and external stakeholders. Our monthly newsletter seeks to highlight global and local trade topics, their importance to Customs Administrations worldwide and, specifically, how they affect the Jamaica Customs Agency.

As we realize our vision of becoming a modern Customs administration delivering excellent service, we recognize the importance of knowledge transfer in delivering our objectives and use this forum as our way of contributing to the vision of the JCA.

**QUESTIONS???** The International Liaison team is available to respond to your queries and clarify any points of concern.

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