

First Reminder 2016 Income Tax Return Filing

HIGHLIGHTS:

- Clients are asked to send to KPMG the information for the preparation of the 2016 income tax return by **February 1, 2017**.
- Large taxpayer clients may grant third party access to KPMG on the Revenue Administration Information System ("RAiS") to allow for uploading of returns
- Penalty of \$5,000 per month for late filing of income tax returns
- Penalty of 1.5% per month for outstanding Minimum Business Tax
- Dormant companies and registered charities are required to file income tax returns
- Mandatory on-line filing for General Consumption Tax returns for medium and large taxpayers as of January 1, 2017

Income tax returns

We wish to remind clients who have not yet filed their income tax returns for the year of assessment 2016 and declarations of estimated income tax for the year of assessment 2017, that the deadline for filing these documents is **March 15, 2017**. Additionally, any income tax due for the year of assessment 2016 and the first quarterly instalment of estimated income tax for the year of assessment 2017 are to be paid by **March 15, 2017**.

Tax Administration Jamaica's RAiS is automatically imposing interest on overdue income tax. The current rate of interest is approximately 16.04% per annum, but this may be changed by the March 2017 filing date.

E-filing of income tax returns

It is now mandatory for all taxpayers with annual turnover greater than or equal to five hundred million dollars (\$500,000,000) to

electronically file their income tax returns and declarations of estimated income tax.

Clients may grant third party access to KPMG on the RAiS platform to facilitate uploading of the returns for submission by the company. Note that although KPMG can upload the return forms, the documents are not received by TAJ until the company submits same electronically.

Penalty for late filing of income tax returns

A penalty of \$5,000 per month or part thereof, up to a maximum of \$1 million, will be imposed for late filing of income tax returns and declarations of estimated income tax. This penalty will be imposed on the taxpayer automatically if the due date for filing (March 15) is missed.

KPMG will make every effort to assist clients to prepare returns and declarations in time for the March 15 filing deadline, and with this in mind, we look forward to receiving all of the necessary information **no later than February 1, 2017**.

*In light of the penalty system, if it appears that your audited financial statements will not be finalized by **February 1, 2017** to facilitate the preparation and submission of the return and/or declaration by March 15, 2017 please contact us. In the absence of audited financial statements, we may use draft financial statements or management accounts (as per your instructions) as a basis for preparing a provisional income tax return. Any necessary amendments, based on the subsequent availability of audited financial statements, would be made and a revised return submitted to the tax authorities, after consultation with you.*

Penalty for outstanding Minimum Business Tax (MBT)

Clients are reminded that, unless they are exempted, MBT totalling \$60,000 is due per annum and may be paid in equal \$30,000 instalments on or before June 15 and September 15 of each year. Alternatively, the full \$60,000 sum may be paid by the June 15 deadline. Failure to pay the tax in full, attracts a penalty of 1.5% of the tax outstanding for each month (or part of the month) that the tax remains unpaid. With the enhanced RAiS platform the imposition of the penalty is automated, so clients should make every effort to comply in order to avoid the charge.

Note that, entities exempted from the MBT include new companies incorporated for less than 24 months and registered charitable organizations. Dormant and loss making companies are not exempt from MBT.

Dormant companies and registered charities to file income tax returns

The following persons are required to file income tax returns for each year, whether or

not the person is liable to pay income tax or has income from any source for that year:

- 1. A body corporate, incorporated, registered or constituted under any enactment;*
- 2. A trust or other institution that is registered as a charitable organization under the Charities Act, 2014; and*
- 3. Any prescribed person (including an individual) who carries on or has carried on a trade, profession, vocation or business.*

Kindly note that dormant companies must file income tax returns. This obligation in respect of dormant companies, together with the requirement to pay the MBT, may be the impetus for stakeholders to make the decision to wind up and de-register these inactive companies within corporate groups.

Prior to 2015, registered/approved charitable organizations were not required to file income tax returns. This new filing requirement adds to the increased regulatory and compliance requirements attached to operating a registered charity.

Other considerations

E-filing of Employers Annual Return (SO2)

Clients are reminded that all employers are required to electronically file the Employers' Annual Return (SO2) by March 31 of each year. Persons that are not large taxpayers (i.e. persons with annual turnover of less than \$500 million), and are not yet filing returns on-line, will need to register with Tax Administration Jamaica to conduct such on-line transactions as manual filings of SO2 forms will not be accepted.

Mandatory e-filing of General Consumption Tax (GCT) returns

Certain medium and large taxpayers will be required to file their GCT returns online as of January 1, 2017, starting with the December 2016 GCT return.

These taxpayers are those with:

- annual sales falling between \$150 million and \$1 billion;*
- annual tax payments of between \$30 million and \$500 million.*

We understand that the annual tax payment threshold applies to all taxes paid by the taxpayer for the year (i.e. income tax, GCT etc).

For practical purposes we expect that in determining whether a taxpayer falls within the above categories, the prior year financial records would be used.

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KPMG member firms send these e-mail notifications only to persons who require or request them. To change your e-mail preferences, your e-mail address, or to subscribe/unsubscribe to this service, please e-mail Annette Atkinson at annetteatkinson@kpmg.com.jm.

Disclaimer

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