

First Reminder 2017 Income Tax Return Filing

HIGHLIGHTS:

- Clients are asked to send to KPMG the information for the preparation of the 2017 income tax return by **February 1, 2018**
- Tax Administration Jamaica (TAJ) has revised the income tax return forms for 2017 filings
- Mandatory requirement to complete the Schedule 8 – Declaration of Connected Person Transactions (Transfer Pricing regime)
- 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

Income tax returns

We wish to remind clients who have not yet filed their income tax returns for the year of assessment 2017 and declarations of estimated income tax for the year of assessment 2018, that the deadline for filing these documents is **March 15, 2018**. Additionally, any income tax due for the year of assessment 2017 and the first quarterly instalment of estimated income tax for the year of assessment 2018 are to be paid by **March 15, 2018**.

TAJ’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 2018 filing date.

Changes to income tax return forms

TAJ has revised the income tax return forms for the year of assessment 2017.

TAJ stated that the revisions are improvements which will allow the forms to capture salient and relevant information, while maintaining the functionality of the online filing process.

Based on our preliminary examination of the revised returns, more detailed itemisation is now required in relation to certain sources of income.

Schedule 8 - Declaration of Connected Person Transactions

We remind taxpayers that where they conducted any transaction with a connected or affiliated company during the year of assessment 2017, it is mandatory that the Schedule 8 – Declaration of Connected Person Transactions be completed and filed with the income tax return by March 15, 2018.

Any person who fails to certify that the accounts and information which are used to prepare the income tax return include the particulars of all connected person transactions, is liable on conviction in a Resident Magistrate's Court to a maximum fine of J\$2 million, or a maximum of 12 months imprisonment in default of payment of the monetary fine. The company would also be liable for any additional tax and interest arising from any assessment raised by TAJ, after applying transfer pricing rules to the company's return.

In addition, all taxpayers that earn gross revenues of five hundred million dollars (\$500,000,000) or more, upon request from TAJ, are required to provide transfer pricing documentation that verify that their connected person transactions for that year of assessment are consistent with the arm's length principle. This is required to be provided to TAJ within thirty (30) working day.

E-filing of income tax returns

It is 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. Where possible, we also encourage taxpayers with annual turnover of less than five hundred million dollars (\$500,000,000) to electronically file these documents as the process saves time and administrative costs.

Clients may grant third party access to KPMG on the RAiS platform to facilitate uploading of the returns for approval and 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, 2018**.

In light of the penalty system, if it appears that your audited financial statements will not be finalized by **February 1, 2018** to facilitate the preparation and submission of the return and/or declaration by March 15, 2018, 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 total \$60,000 sum may be paid by the June 15 deadline.

Failure to pay the total tax due, 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.

Other considerations

Dormant companies and registered charities to file income tax returns

The following persons are required to file income tax returns for each year, even if the person is not liable to pay income tax (e.g. exempt companies) or has no income from any source for that year (e.g. dormant companies):

- 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 and will be subject to penalties for late filing.

This obligation in respect of dormant companies, together with the requirement to pay the MBT, with the attendant penalties for late filing, may be the impetus for stakeholders to make the decision to wind up and de-register these inactive companies within corporate groups.

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.

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