

## Compliance Advisory – Non-Residence Tax Obligations

Dear **Applicant/Beneficiary**,

Our mission is to be the premier public sector organization in the provision of quality customer care to individuals, institutions and groups seeking to enhance the initiation, promotion and development of programmes and opportunities in the areas of Culture, Health, Arts, Sports and Early Childhood Education through effective collaboration, teamwork, innovation and motivated staff for the sustained viability of the Fund in the process of nation building.

As part of our commitment to providing quality customer service, we remind applicants and beneficiaries that the processing of funding activities is subjected to the applicable laws and regulations of the Government of Jamaica.

One such regulation is the Non-resident tax obligation as per sections 27, 28, 29, 31, 40 and 54 of the Income Tax Act, regulated through the Tax Administration Jamaica. As per section 27 (1) - Any person who satisfies the Commissioner (Tax Administration Jamaica) that he is not domiciled in this Island, or that being a Commonwealth citizen he is not ordinarily resident in this Island, shall in respect of income derived from sources out of this Island be chargeable with income tax only on such income as is received in this Island:

Provided that where such a person was present in the Island for a period or periods aggregating in the whole to not less than three months in the year of assessment this subsection shall not apply to his income so far as it relates to work done in the Island or work done elsewhere in relation to the Island, and in determining how far it so relates any agreement or arrangement for its apportionment may be disregarded by the Commissioner if it appears to him not fairly to reflect the value of that work.

These payments may include interest, dividends, royalties, or fees for services like management or technical expertise, at the following rates:

- Non-Resident individuals - withholding tax is 25%
- Non-Resident entities - withholding tax is 33 1/3%

Please be reminded that the rates stated in the Income Tax Act are subjected to the applicable double taxation rates which takes precedence over the Jamaican domestic tax rates.

Therefore, a Jamaican resident (individual or entity) should have the following mechanisms in place for contract negotiation and payment processing:

1. A process to determine whether its supplier is a non-resident and the country of residence, as this will determine whether withholding tax is applicable and/or the applicable rate. For example, obtaining a copy of residency status for the country of residence.



2. A process to withhold tax, if applicable, and provide an account of same to Tax Administration Jamaica and the supplier. For tax purposes what is important is the aggregated period of stay on the island. To determine this one may request copies of the individual's passport showing the biometrics, and the respective entry and/or departure immigration stamps. If the person has already left the island, one may request a copy of their airline ticket as proof of departure.

3. Failure to get the above correctly may result in trade disputes and loss of revenue.

The Income Tax Act may be sourced on the Ministry of Justice's website. In addition, you may also source the Double Taxation Agreements on the Tax Administration website <https://www.jamaicatax.gov.jm/tax-agreements>.

Kindly refer to the Tax Administration Jamaica Client Representatives for additional information.

Please be guided accordingly.