

1. What is a special economic zone (SEZ)?

A Special Economic Zone (SEZ) creates a specifically delineated location that is governed separately by the customs and tax regimes of the country and is intended to provide targeted incentives and services to encourage investments in Jamaica's logistics-based industries.

2. What's the Current Status Regarding Sezs In Jamaica?

The SEZ Act came into effect on August 1, 2016 and the SEZ Authority is responsible for administering and regulating all aspects of the regime. The expectation is that by early 2017 the Authority will be in a position to process applications under the new regime.

3. Jamaica previously had a Free Zone regime, what is the status of that Regime?

The Jamaica Export Free Zone Act (Free Zone Act) was repealed on August 1, 2016 with the passing of the SEZ Act, and so companies can no longer apply for Free zone status. Companies which were operating under the Free Zone regime may continue to accrue benefits, but must transition to the new SEZ regime by December 31, 2019.

4. As a current Free Zone company, can I opt to move over to the SEZ regime?

Yes, companies previously operating under the Free Zone regime can proactively transition to the SEZ regime if they wish to do so. It should be noted, however, that if an existing Free Zone chooses to expand beyond their existing operations (e.g. new location and/or new activities) they will be automatically transitioned to the SEZ regime.

5. What are the main differences between the Special Economic Zone Regime and the Free Zone Regime?

The main differences are as follows:



6. As a manufacturer, if I locate in the SEZ can I also benefit from the Omnibus Incentives related to manufacturing?

No, the two incentives are mutually exclusive. Companies may either locate in an SEZ and access the benefits of the SEZ, or locate in the domestic economy and utilize the incentives under the Omnibus Incentive regime. Each incentive scheme provides a unique value proposition and so investors can choose the framework which best suits their business model.



| Description | Free Zone Regime | SEZ Regime |
|-------------------------|---|---|
| Administration of Zones | Administered by the Free Zone Council comprised of public and private sector stakeholders | Administered by the SEZ Authority established as a stand-alone autonomous regulator, managed by a Government appointed Board of Directors. |
| Fees for zone status | No fees payable | Annual fees payable to the SEZ Authority |
| Taxes | No Corporate Income Tax or GCT on goods and services acquired into the zone. | Maximum of 12.5% Corporate Income Tax (CIT) which can be reduced to 7.5% based on tax credits. No GCT on goods and services acquired into the zone. |

7. Since I have the option of either incentive scheme, why should I want to locate in a Special Economic Zone rather than in the domestic economy?

| | Omnibus Incentives | SEZ Act |
|--|--------------------------------|---------------------------|
| Income Taxes | | |
| Corporate Income Tax | 25% - 17.5% (with ETC) | √ 12.5% - 7.5% (with ETC) |
| Personal Income Tax concessions | Nil | Nil |
| Employment Tax Credit (ETC) | √ (max 30% of income tax) | |
| Productive Tax Credit | Nil | √ (max 10% of income tax) |
| Withholding Tax concession | Nil | √ |
| Border Taxes | | |
| Duty-free importation of capital equipment & machinery | √ | √ |
| Exemption from Environmental Levy | Nil | Nil |
| Duty free importation of industry-related consumer goods, including raw material | √ | √ |
| Duty-free importation of building materials | Nil | √ |
| Exemption from Stamp Duties | √ (for approved manufacturers) | √ |
| Exemption from the Customs Administration Fee (CAF) | √ (for approved manufacturers) | √ |
| Indirect Taxes | | |
| G.C.T. exemption/deferment | √ (for approved manufacturers) | √ |
| Property Tax exemption | Nil | √ (with conditions) |
| Stamp Duty & Transfer Tax | Nil | √ |
| Capital Expenditure | | |
| Capital Allowance Scheme | √ | √ |
| Loss Carry Forwards | √(max 50% of income) | Nil |

8. In addition to manufacturing companies, what other types of companies are ideally suited for locating in an SEZ ?

In essence, any company which is export focused or which is in the business of re-exporting goods which have been transshipped, transformed, manufactured or re-manufactured. These companies have little need for their goods to enter the country's customs area and are therefore seeking an ecosystem of services which provides an efficient and cost effective route in accessing regional and international markets.

9. What activities are excluded from an SEZ?

The SEZ Act specifically excludes certain activities, namely:

- Extractive Industries
- Telecommunication Services
- Financial Services (regulated by Bank of Jamaica/ Financial Services Commission)
- Real Estate & Property Management Services
- Catering Services
- Tourism Services
- Public utilities (not including generation of electricity for own use, etc.)
- Construction Services (unless part of manufacturing within the SEZ)
- Health Services (excluding R&D)
- Retail Trade

However, some of these activities may apply to be a Zone User to service SEZ companies only, but would not be able to access any of the benefits.

10. Where are the SEZs located in Jamaica and what SEZs are currently available?

The Government is planning to establish 16 Special Economic Zones across the country, in addition to existing free zones becoming Special Economic Zones. To date, however there are no available SEZs, as the government is currently undertaking feasibility assessments.

11. Are companies within the SEZs exempted from Labour and Environmental laws?

The normal Labour and Environmental Laws of Jamaica are also applicable within the Special Economic Zones.

12. What are the various roles companies can assume under this new SEZ regime?

Persons will either be a Developer of an SEZ or an Occupant of the SEZ. Occupants can be further broken down into an SEZ Occupant or an SEZ user. These roles are expanded on below:

- **Developer** - A SEZ Developer is a company that undertakes the development of the zone, including roads, utilities etc. A Single Entity SEZ would also be classified as a SEZ Developer as well as an Occupant.
- **Occupant** – A SEZ Occupant is a company that does business in the Zone and accesses the SEZ benefits.
- **User**- A SEZ User is a company that undertakes business in the Zone or provides services to the Developer or Occupant, but does not benefit from SEZ fiscal incentives but rather the expedited services of the Zone.

13. Can a SEZ Developer also do business in its Zone?

Yes, SEZ Developers can carry out business and trade from within its Zone. It would be required to establish and register a new company as the Operator that would carry out the business.

14. How does a company become eligible under the various categories with the SEZ

As noted earlier, once a company is undertaking an approved activity they can apply to become an SEZ Developer, Occupant or User. Below are the eligibility criteria of each category.

Developer Eligibility Requirements

- Minimum of US\$1.5mn issued and paid up share capital
- Each Zone must accommodate a minimum of 3 Occupants (except in the case of Single Entity SEZs).

- Formal Contract with SEZ Authority
 - Master Concession Agreement if zone to be established is on public lands
 - Licensing Agreement if zone is to be established on privately-owned lands

Occupant Eligibility Requirements

- Minimum US\$25,000 issued and paid up share capital
- Minimum of US\$50,000 in investments within the first year
- Sub-concession agreement with the SEZ Developer

User Eligibility Criteria

- Sub-concession agreement with the SEZ Developer

15. How can a Micro, Small and Medium Enterprise (MSME) qualify for Special Economic Zone status?

Any business, regardless of size, once they meet the eligibility criteria can seek SEZ status as an Occupant

or Zone User. In the case of an MSME, they are required to make an investment of US\$25,000 in zone-related infrastructure or equipment. The SEZ Authority must be convinced that the company has sufficient development potential and a growth plan which meets the objectives of the country.

Additionally, the MSME is granted 4 years within which it must put itself in a position to upgrade its status and meet the eligibility criteria of an Occupant.

16. Under the Free Zone regime there were Single Entity Free Zones, is there a similar capability under the new SEZ regime?

Yes, there is a similar capability under the SEZ regime. Companies seeking this capability would be approved as a Developer provided they meet the requisite criteria. [See responses to questions 13 & 14 above]

17. What are the fiscal benefits of operating within the SEZ?

| Tax Measures | Developer | Occupant |
|---|-----------|----------|
| Income Taxes | | |
| Corporate Income Tax Headline Rate of 12.5% | ✓ | ✓ |
| Employment Tax Credit | ✓ | ✓ |
| Promotional Tax Credit (R&D and training) | ✓ | ✓ |
| Relief from Income Tax on Dividend | x | ✓ |
| Relief from Income Tax on Rental Income | ✓ | ✓ |
| Asset Tax Relief | x | ✓ |
| Border Taxes | | |
| Environmental Levy Payable | ✓ | ✓ |
| Customs Duty Relief | ✓ | ✓ |
| Indirect Taxes | | |
| GCT Relief (<i>on all goods & services entering the Zone</i>) | ✓ | ✓ |
| Capital Allowance | ✓ | ✓ |
| Stamp Duty Payable | 50% | 50% |
| Relief from Transfer Tax | ✓ | x |

18. I am interested in pursuing a SEZ related project, who do I contact for assistance in progressing my interest?

You should contact Jamaica Promotions Corporation (JAMPRO), Jamaica's economic development agency, which has the mandate to assist investors from the early stages of research and due diligence to the late stages of actual implementation



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