MEANS OF VERIFICATION FOR THE FIRST OPERATION OF THE

FISCAL STRUCTURAL PROGRAMME FOR ECONOMIC GROWTH

(JA-L1038)

1. Macroeconomic Stability.

*I.1.a: The GoJ complies with the Policy Letter and maintains a macroeconomic framework consistent with the Medium-Term Economic Programme (MTEP).*

**MOV: Independent Macroeconomic Assessment.**

1. Strengthening Tax Policy and Administration

*II.1.a: The GoJ makes effective the Fiscal Incentives [Miscellaneous Provisions] Acts 2013 (FIA) and Charities Acts (and the consequential amendments to legislation including the Income Tax and Customs Acts respectively) to take measures to:*

* 1. Simplify the tariff structure by reducing import tariff dispersion (consistent with CARICOM and other international trade agreements) by:
     1. Capping tariffs on non-agricultural imports to a default rate of 20% with exceptional cases at 40%. For agricultural imports, tariff ≤ 40% will be reduced generally to 20%. Some Common External Tariff (CET) rates >50% will remain.
     2. Raising the 0% tariff rate on selected intermediate and final goods to 5%.

**MOV: Letter from the MoF to the Bank attaching the publication of the laws in the Gazette.**

* 1. Increase tax revenues by:
     1. Establishing a cap of 50% on claims for deduction of tax losses forwarded in any year of assessment on chargeable income (CIT and PIT).

**MOV: Letter from the MoF to the Bank attaching the publication of the laws in the Gazette.**

* 1. Curtail tax expenditures by:
     1. Effecting the new Charities Act, the FIA and the consequential amendments to the revenue laws.

**MOV: Letter from the MoF to the Bank attaching the publication of the laws in the Gazette.**

* + 1. Cessation of granting of new categories of ministerial discretionary waivers.

**MOV: Letter from the Financial Secretary to the Bank with the information concerning the cessation of discretionary waivers on new categories.**

* 1. Reduce economic distortions and promote economic growth by:
     1. Reducing CIT rate (from 30% to 25%) for unregulated companies (as defined in the Income Tax Act).
     2. Allowing for an employment tax credit (ETC) calculated on the statutory payroll levies (education tax, NHT, NIS and HEART) to registered companies engaged in trade. The ETC has a cap of 30% of chargeable income tax.
     3. Increasing the Initial Capital Allowances (ICAs).
     4. Limiting tax incentives allowed under the FIA for “pioneer/mega” projects to an overall cap of 0.25% of GDP.

**MOV: Letter from the MoF to the Bank attaching the publication of the laws in the Gazette.**

*II.2.a: The GoJ undertakes comprehensive tax administration improvements to:*

1. Strengthen TAJ and JCA enforcement capabilities by:
2. Increasing the LTO professional staff from 90 to 120.

**MOV: Letter from the Financial Secretary to the IDB Representative verifying the increase in LTO professional staff in TAJ.**

1. Strengthening powers to TAJ to mandate taxpayers e-filing.

**MOV: Letter from the Financial Secretary to the Bank quoting relevant section of the revenue laws.**

iii. Issuing instructions for e-filling for all large taxpayers; all employers with 20 or more employees; and GCT refund claims.

**MOV: Letter from the Financial Secretary to the Bank enclosing a copy of the implementing instructions regarding mandatory e-filing.**

B. Strengthen the revenue administration agencies through improvements to their Information Technology (IT) systems by:

1. Cabinet approval for TAJ to issue a contract for the integrated IT system..
2. Cabinet approves JCA issuing a contract to implement an integrated customs IT system.

**MOV: Letter from the Cabinet Secretary verifying Cabinet approval of the TAJ vendor contract and the issue of a contract to UNCTAD.**

1. Rationalization of Expenditure.

*III.1.a: The GoJ implements a policy of no central government salary increases to meet an annual wage bill target of no more than 10.6 percent of GDP for FY2013/14.*

**MOV: Letter from Financial Secretary to IDB Representative confirming agreement with Unions and copy of agreement.**

*III.2.a: The GoJ approves an update of the 2010 Master Rationalization Plan to streamline the PBs through the following measures:*

1. Divestment of commercial entities.
2. Merger of entities where feasible to bolster efficiencies.
3. Winding-up of inactive entities (updating the list of entities in this category).

**MOV: Letter from the Financial Secretary to the IDB Representative transmitting approved updated Master Rationalization Plan in respect of public bodies.**

*III.3.a: The GoJ enforces measures to strengthen the accountability and transparency of public bodies by:*

*Reporting non-compliance to the Attorney General’s Chambers those self-financing Public Bodies (PBs) that have not complied with the statutory requirement for submission of annual reports and requesting that enforcement proceedings be considered.*

**MOV: Letter from the Financial Secretary** to the IDB Representative transmitting the list of self-financing Public Bodies that have been reported for sanction as of Dec. 31, 2013 as well as copy of the model letter used to make the report.

1. Ensuring Sustainability of the National Insurance Scheme

*IV.1.a: The MLSS submits to Cabinet a Concept Paper for reform of the National Insurance Scheme (NIS)that outlines:*

1. The options and their impact for:

1. Adjusting the contribution rate;
2. Adjusting pension benefits; and
3. Increasing coverage

2. The differentiated gender effects of these adjustments.

**MOV: Letter from the Cabinet Secretary to the IDB Representative confirming receipt of the Concept Paper and provision of a copy of the Concept Paper.**

*IV.2.a: The MLSS submits to Cabinet an actuarial analysis of the National Insurance Scheme (NIS).*

**MOV: Letter from the Cabinet Secretary confirming receipt of the actuarial analysis and provision of a copy of the actuarial analysis of the NIS.**

*IV.3.a: The GoJ prepares a report that includes:*

1. An assessment of the current state of the hardware and software of the NIS.

2. A proposal for the creation of a NIS Management Information System (MIS) that interfaces with other relevant Government agencies.

**MOV: Letter from the Permanent Secretary of the MLSS to the IDB Representative transmitting a copy of the assessment of the NIS hardware and software and the proposal for a MIS.**

1. Strengthening the Fiscal Responsibility Framework

V.1.a: Cabinet approves the concept paper for enhanced rules-based governance of fiscal activities of the public sector and the issuing of drafting instructions to the Chief Parliamentary Counsel to draft the necessary legislative amendments. The enhanced fiscal rules will:

* 1. Establish debt reduction objectives specified as a medium term target of public debt to GDP ratio.
  2. Enable automatic correction mechanisms to be implemented in the event of deviations from targeted fiscal balances
  3. Implement an escape clause to be activated only by Parliament in cases of major adverse shocks.

**MOV: Letter from the Cabinet Secretary to the IDB Representative confirming Cabinet Approval of i) the Concept Paper and ii) the issue of drafting instructions.**