



Jamaica Budget Review **2025 Highlights**

March 2025

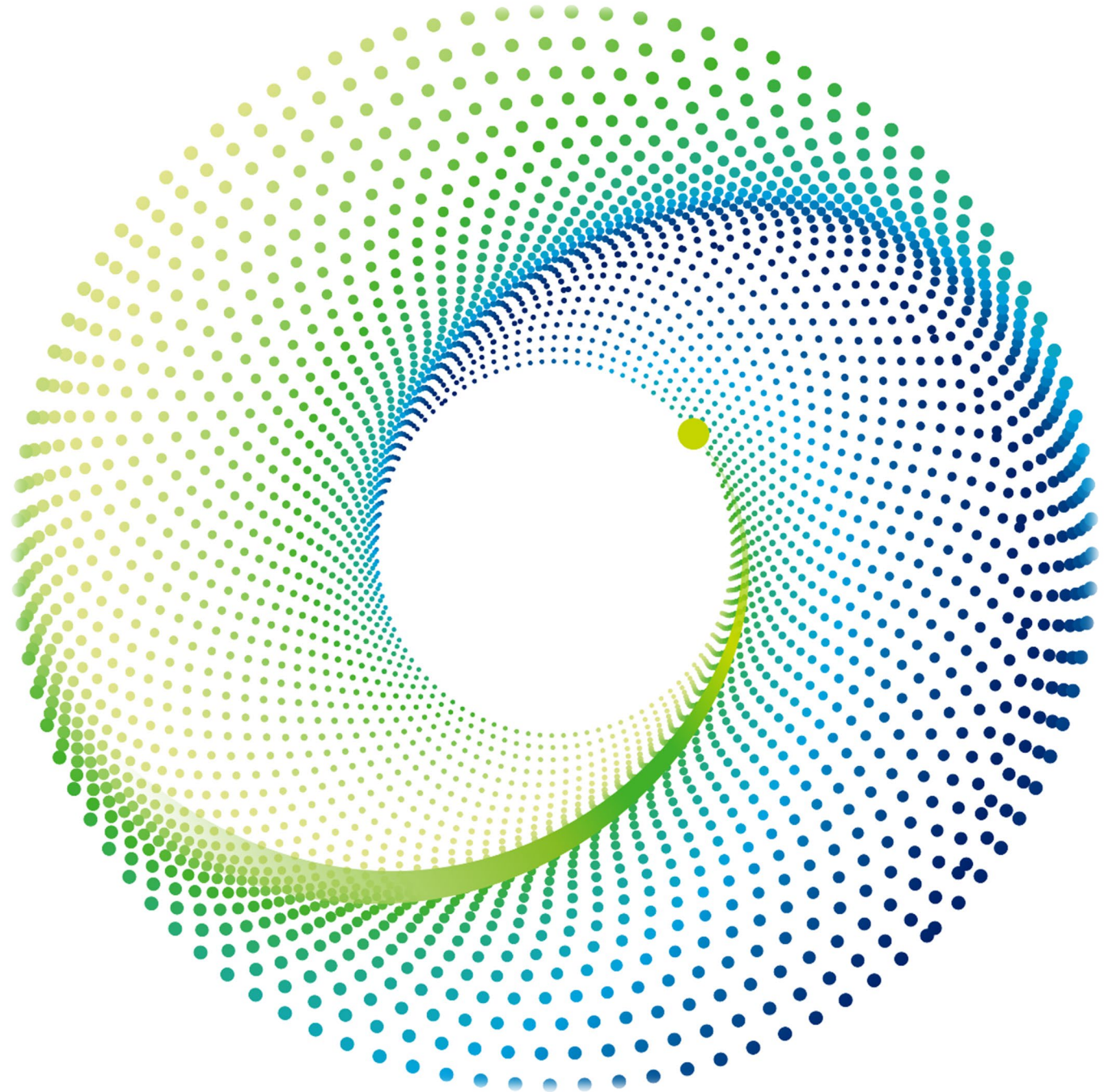




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Introductory Overview

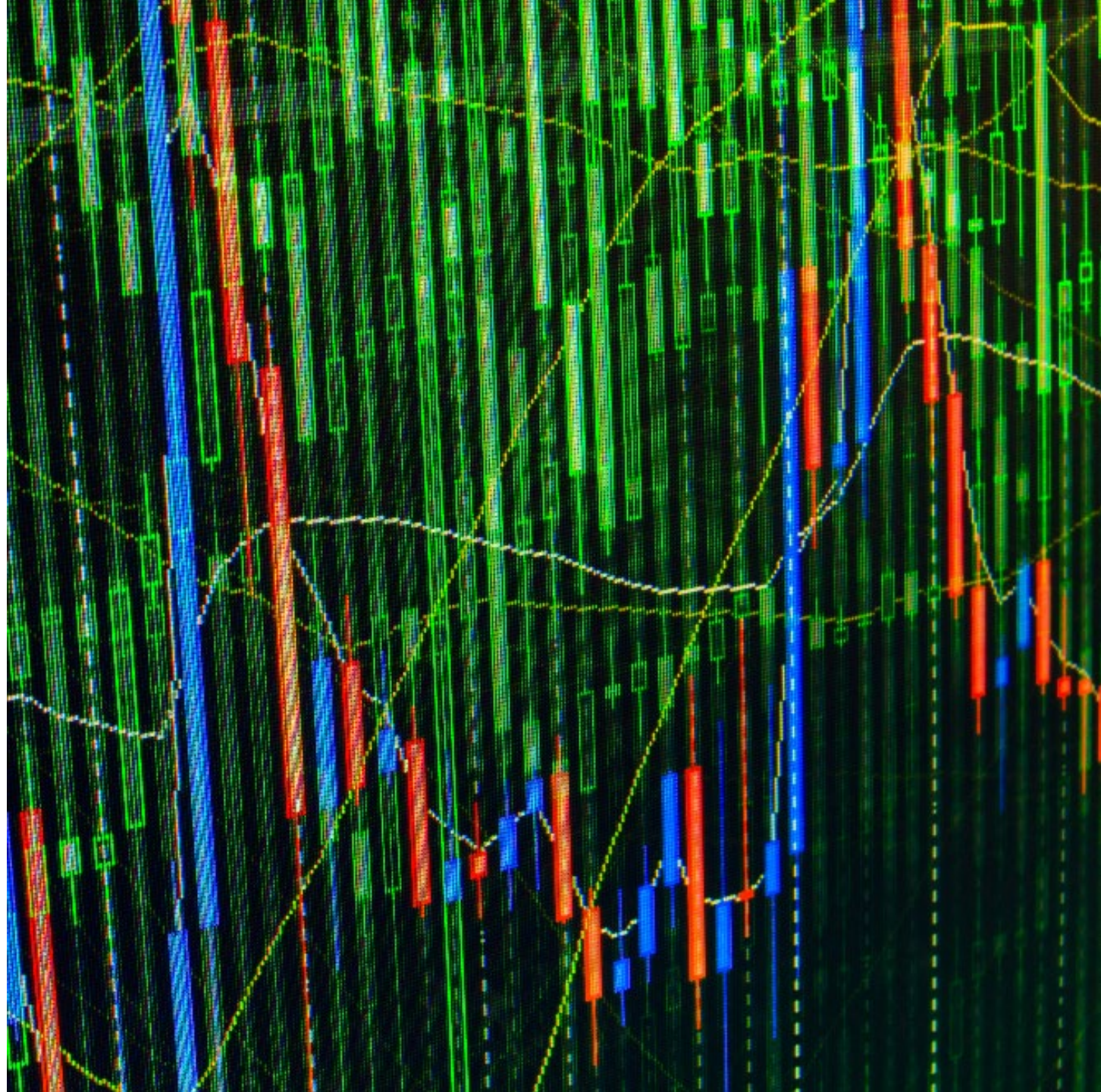
On March 11, 2025, the Hon. Fayval Williams, MP, Minister of Finance and the Public Service, delivered her first Budget Presentation for the 2025/2026 financial year. This presentation marked a significant milestone in Jamaica's history, as the Minister became the first female Minister of Finance to present the budget proposals in the House of Parliament.

This budget outlined strategic fiscal measures designed to strengthen Jamaica's economic resilience, support growth, and foster financial inclusion. Of focus in the budget was the reduction of public debt, financial inclusion, and support for the Micro, Small, and Medium Enterprises (MSMEs), and the implementation of “Good news,” as stated by the Minister of Finance, to enhance economic stability. As Jamaica continues to navigate external shocks and internal challenges, this budget sets the stage for sustainable growth and long-term prosperity.

We, at Deloitte, are pleased to share the “Good News” announced by the Minister of Finance during the presentation of the 2025/2026 Jamaican budget. We hope you find our analysis informative and valuable. If you have any questions or would like to discuss the details further, please don't hesitate to reach out to any member of our team.



Economic Overview





Economic Overview

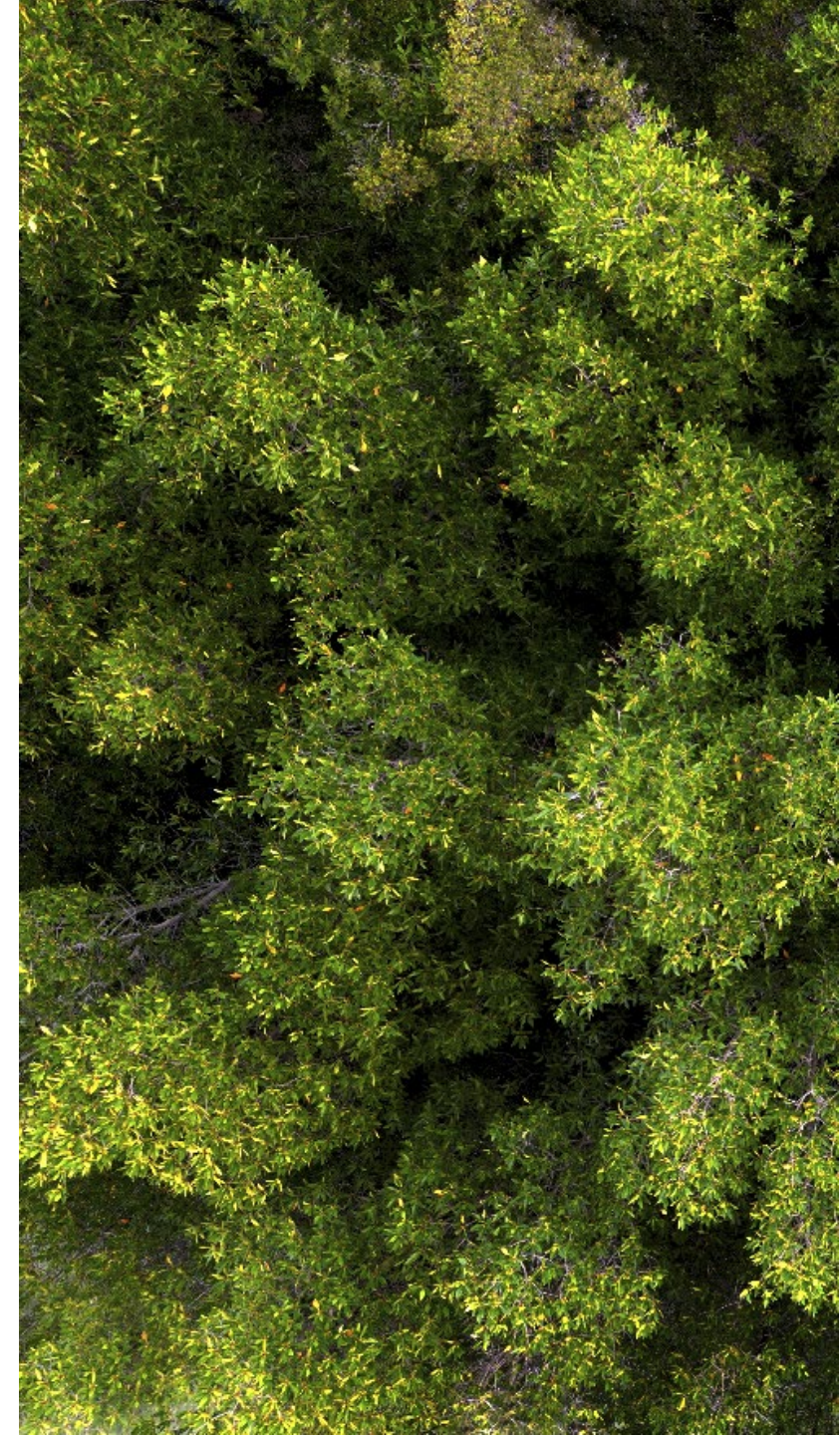
Jamaica's economy has shown resilience, navigating pandemic-induced contractions and climate-related shocks. After a sharp decline in FY2020/21 due to COVID-19, strong tourism and alumina production drove a robust recovery, with GDP growth reaching 8.2% and 4.7% in FY2021/22 and FY2022/23 respectively. However, natural disasters such as droughts, Hurricanes Beryl and Raphael caused a 1.9% and -0.7% GDP contraction in FY2023/24 and 2024/25 respectively, highlighting vulnerability to climate events. Notwithstanding these factors, government is focused on reducing Inflation, cost of living, policy debt, unemployment rates which should lead to economic growth.

Inflation and Cost of Living

Inflation peaked at 11.3% in FY2021/22 due to global commodity price surges. The Bank of Jamaica (BOJ) responded by raising the policy rate to 7.0%, successfully stabilizing inflation of 6% within the 4-6% target range by December 2024.

Public Debt

Jamaica's fiscal management was notably prudent, reducing public debt from 109.7% of GDP in FY2020/21 to 68.7% by FY2024/25 through consistent primary surpluses and disciplined expenditure. The issuance of an international local currency bond further strengthened debt management. Challenges included maintaining fiscal discipline amid natural disasters and improving public sector investment efficiency.



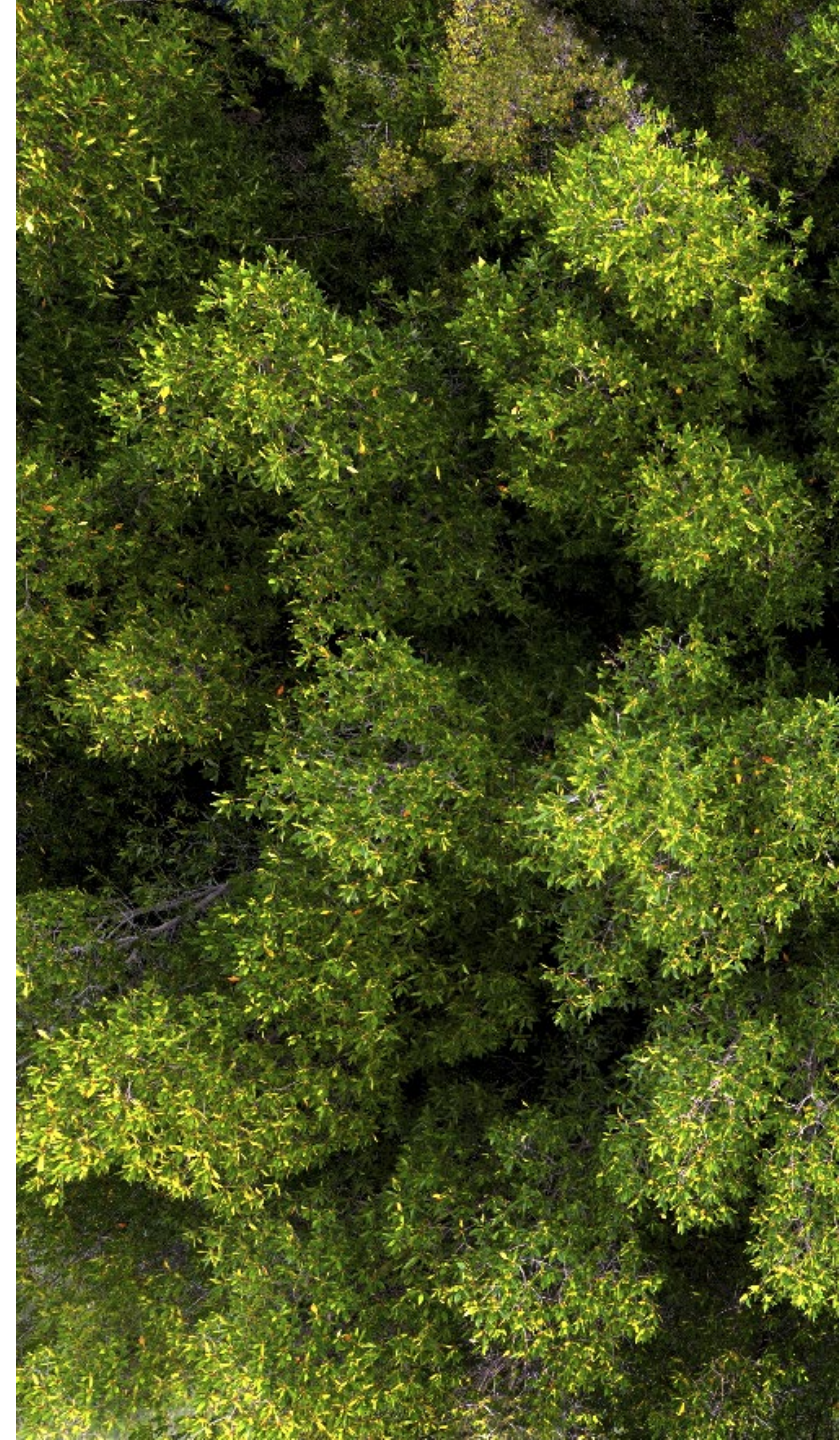


Economic Overview

Employment

The labor market improved significantly, with unemployment reaching a historical low of 3.5% by October 2024. Youth unemployment also declined, signaling enhanced economic resilience. However, a gender gap persists in employment opportunities.

Jamaica's 2025/2026 budget presents a forward-thinking approach to strengthening the country's economic resilience and fostering long-term growth. The strategic focus on reducing public debt, enhancing financial inclusion, and supporting the growth of the MSMEs demonstrates the government's commitment to building a more robust and sustainable economy. While navigating both external and internal challenges, the budget sets the stage for a more inclusive and prosperous future. The measures outlined in this budget is expected to provide a foundation for continued economic stability and growth, benefiting businesses and vulnerable individuals.





Tax Measures



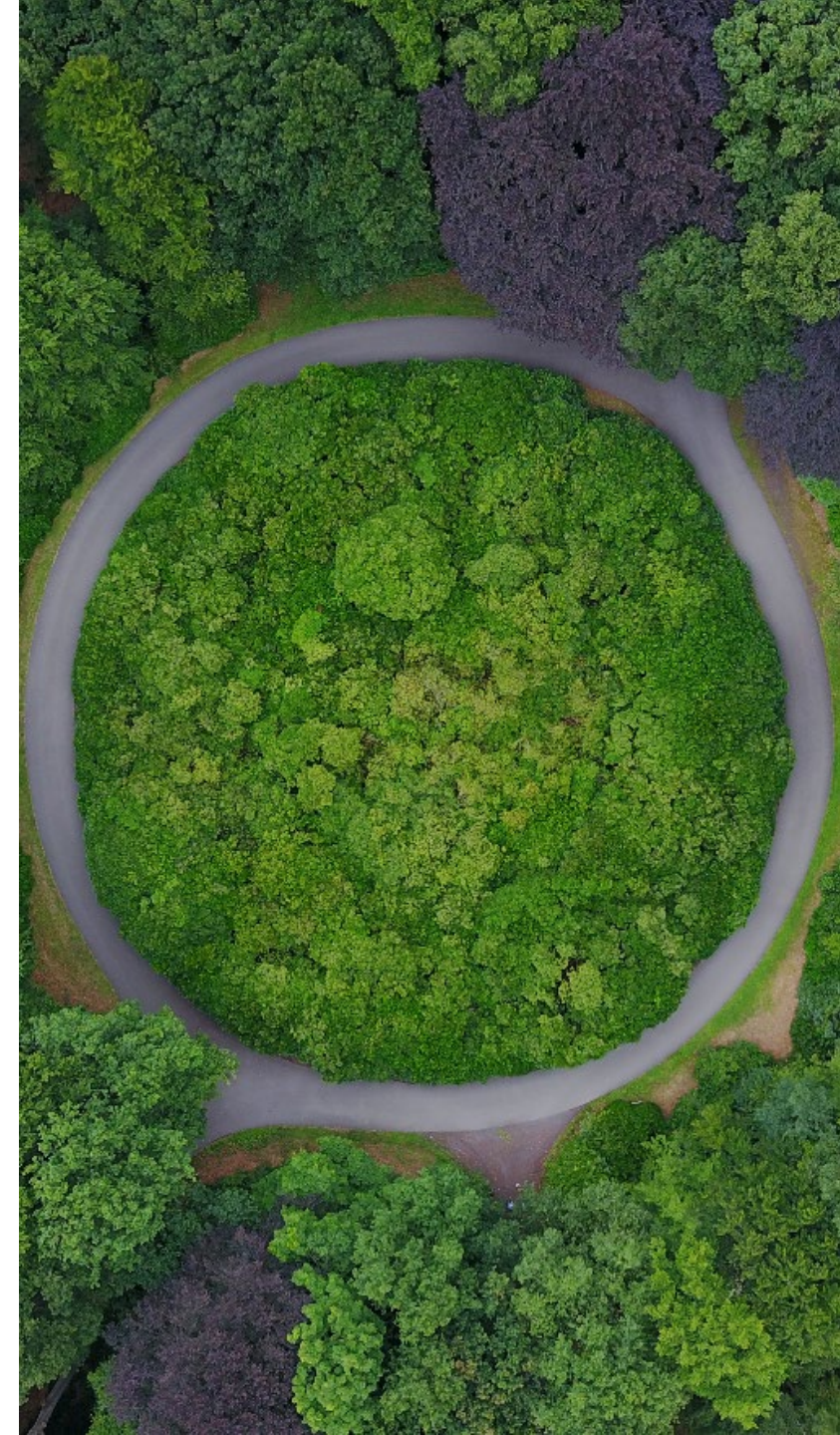


Tax Measure 1

General Consumption Tax (GCT) threshold increase

Focus is being placed on developing Micro, Small and Medium Enterprises (MSMEs) with the proposed increase of the GCT threshold from J\$10,000,000 to J\$15,000,000 for those who fall within this Sector.

This measure demonstrates the Government's dedication to supporting all contributors to the economy, despite size. The increase in the GCT threshold is expected to remove the administrative burden of withholding, reporting and remitting these taxes to the Government (which is an onerous process) from small businesses whilst allowing them the opportunity to build other robust business standards and focus their efforts on growth.



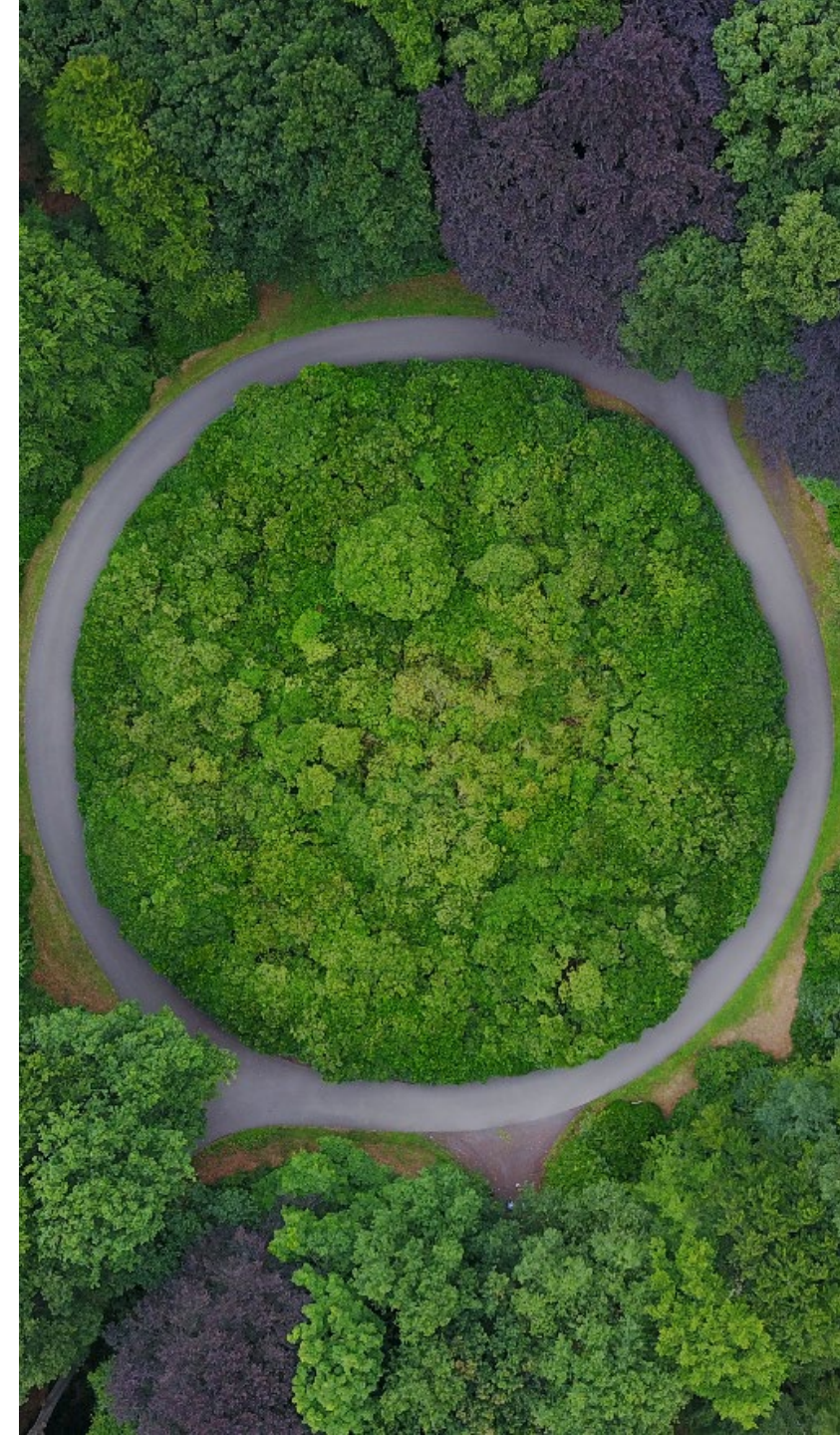
Tax Measure 2

Acceleration of tax depreciation

The Minister announced government's intention to accelerate the depreciation of assets with revamped rates and periods of depreciation. Under current taxation law, accounting depreciation is not a deductible expense for the reduction of income tax liability. With this measure, specific tax depreciation rates were established to account for wear and tear on assets in use as companies seek to reduce their income tax liabilities and retain more monies for business development

One key change is the depreciation rate applied to machinery which is currently 25% in its first year of acquisition and 12.5% annually over an 8-year period. It is proposed that the rate of initial allowance of 25% be increased to 40%. It is expected that there will be similar significant increases in the depreciation rates across the other asset categories.

Providing an accelerated depreciation write off and by extension reduction of taxes, is expected to encourage more investments in technology, advancements and increase in efficiency as companies prioritize productivity and technological advancements.



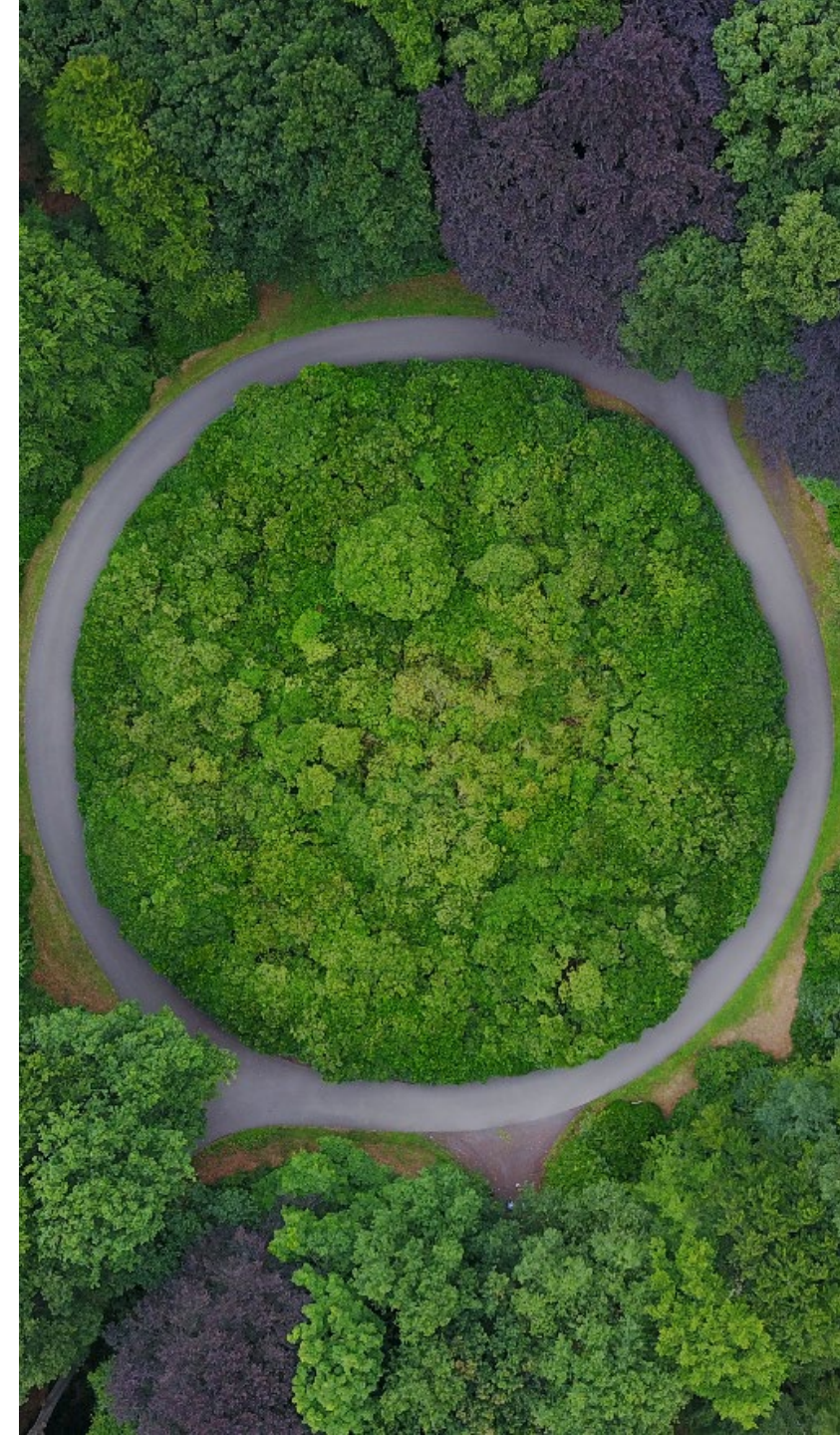
Tax Measure 3

PAYE relief

The budget included relief for individual taxpayers, with the PAYE threshold set to increase to J\$2 million over a three-year period. Starting April 1, 2025, the PAYE threshold will rise from J\$1.7 million to J\$1.8 million. On April 1, 2026, it will increase to J\$1.9 million and by April 1, 2027, the threshold will reach J\$2 million.

While these changes may not result in a significant increase in cash flow, they may allow for increases in the disposable income of individual taxpayers and reaffirms the Government's commitment to the long-term well-being of its citizens. We have included an illustration to show the impact of this reduction.

Refer to page 11.



Tax Measure 3

PAYE threshold cont'd

JAM \$		Current	Proposed FY25/26	Proposed FY26/27	Proposed FY27/28
Assemble income		7,000,000	7,000,000	7,000,000	7,000,000
Income Tax Exemption*		(1,700,088)	(1,775,022)	(1,875,000)	(1,975,000)
National Insurance Scheme		(150,000)	(150,000)	(150,000)	(150,000)
		5,149,912	5,074,978	4,975,000	4,875,000
6,000,000	25%	1,287,478	1,268,745	1,243,750	1,218,750
		1,287,478	1,268,745	1,243,750	1,218,750
Increase in Disposable Income		-	18,734	24,995	25,000

*prorated with consideration for an April implementation

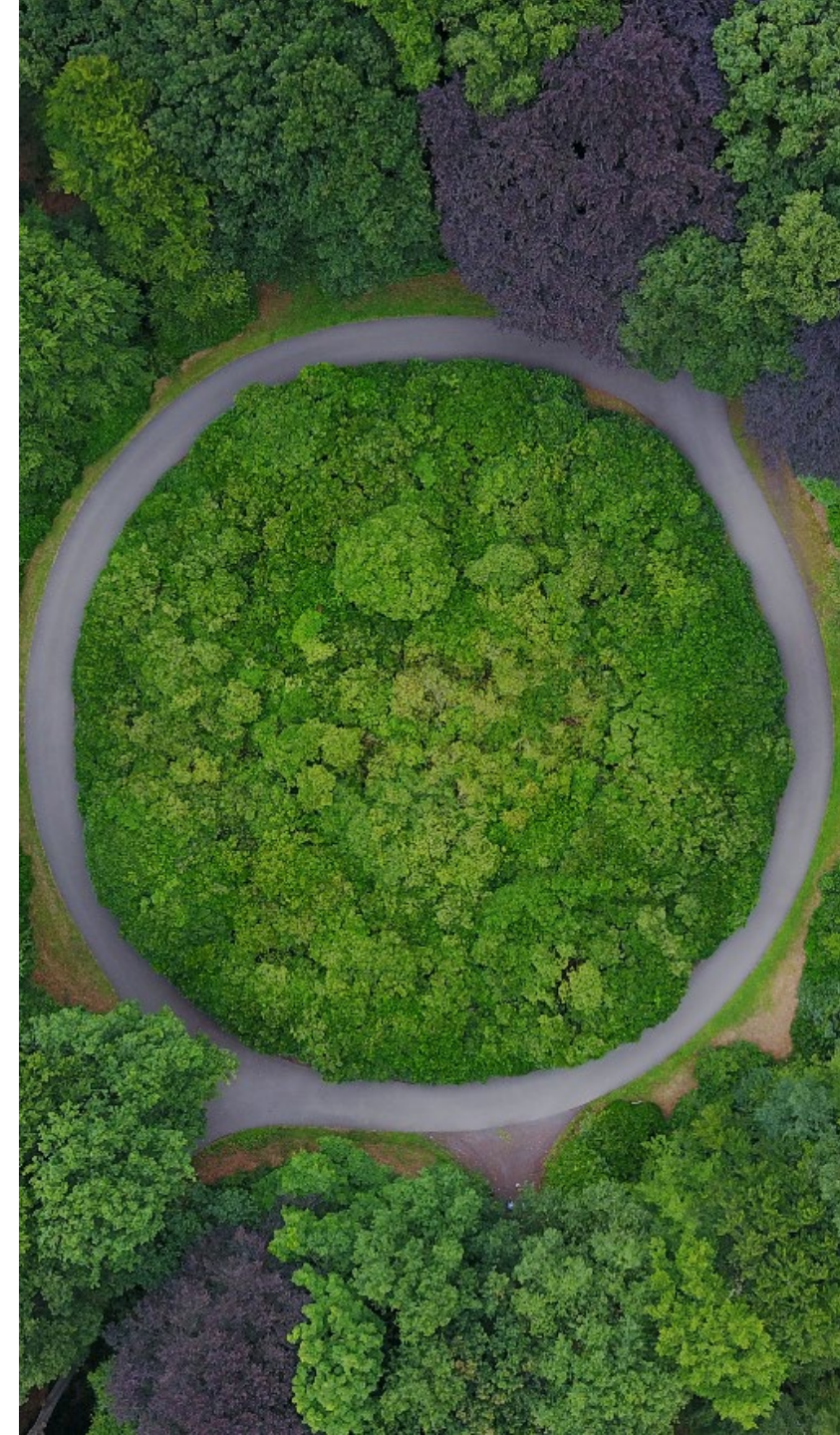


Tax Measure 4

Reduced withholding tax (WHT) rates on dividends

As the budget prioritizes signaling to Jamaicans the country is ready for investment, the Minister sought to attract overseas investment and encourage the diaspora to establish and maintain their businesses in Jamaica by providing a reduction of withholding taxes (WHT) on dividend payments. The standing rate is varied with dividend payments made to non-resident companies and individuals at 33.33% and 25% respectively and payments to Jamaica residents at 15%. Proposed is a standard rate of 15% regardless of the residency of the recipient.

Comparative to other countries, Jamaica's rates are deemed high where there is no double taxation treaty between Jamaica and the recipient country to aid in reducing the rates. Therefore, this measure aims to align Jamaica's rates with those globally, ensuring Jamaica's attractiveness to possible investors.



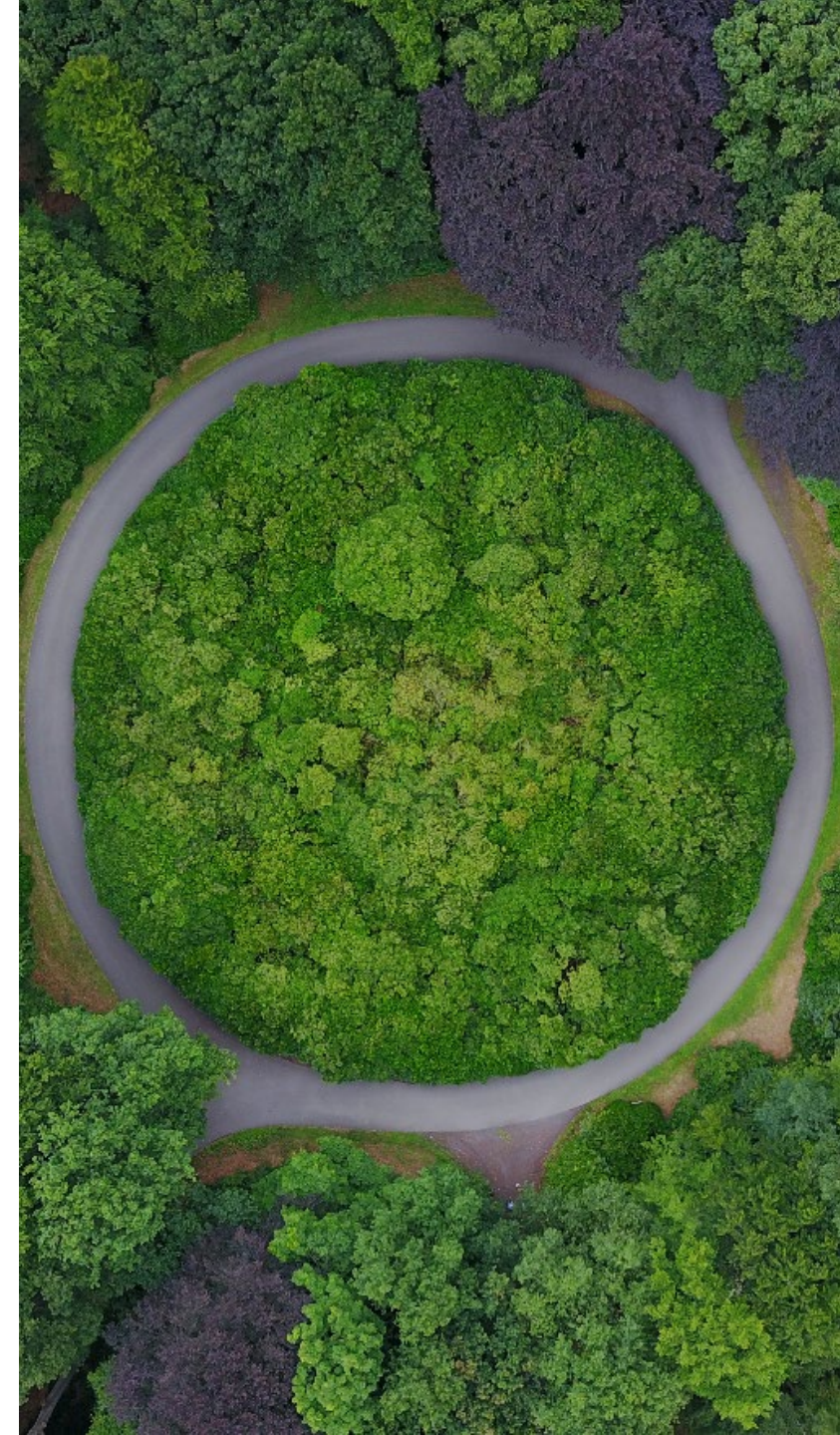


Tax Measure 5

Introduction of a JSE Micro market

The government in citing its commitment to maintaining a resilient and robust economy and promoting growth and financial inclusion, has proposed the creation of a Junior Stock Exchange (JSE) micro market, along with the establishment of a technical working committee to oversee its development.

While the introduction of the micro market alone may not guarantee success with the resilience of SMEs, it could help create a more favorable environment for their growth in Jamaica, potentially leading to job creation and contributing to further reductions in inflation.



Social Measures





Social Measure 1

Prepaid Electricity Program

The government has allocated J\$1 billion to assist the first 20,000 first-time Jamaica Public Service Limited (JPS) prepaid customers. This includes covering the cost of house wiring and inspection. Additionally, the recipients will receive a J\$4,000 credit for electricity for 6 months.

This measure will help reduce electricity theft by encouraging legal connections which could lower overall costs for JPS and, in turn, reduce electricity prices for all consumers. The monthly credit will provide immediate relief to low-income households, allowing them to allocate more of their income to other necessities, thereby stimulating local economic activity.





Social Measure 2

Reduction in GCT on Electricity

The General Consumption Tax (GCT) rate on electricity will be reduced to 7% starting on May 1st, 2025, and the 150 kWh threshold for postpaid residential consumers will be eliminated. Additionally, postpaid residential customers who consume 250 kWh or less will receive a 7% rebate and a 3% subsidy, totaling 10%. The current GCT rate is 15%.

The rebate and subsidy may encourage energy efficiency, reducing overall energy consumption and environmental impact. Reduced GCT on electricity will lower monthly bills for households and businesses, increasing disposable income and potentially boosting consumer spending. Lower electricity costs could make Jamaican businesses more competitive, especially in energy-intensive industries, potentially attracting more investment.





Social Measure 3

Scholarships and Grants for Early Childhood Education - CHASE Fund

Moving forward the government will remove the requirement for guarantors for recipients of government scholarships and grants up to J\$2 million accumulatively.

Removing the guarantor requirement should make it easier for individuals to access scholarships and grants, leading to a more educated workforce in the long term. More practitioners with advanced degrees in early childhood education could lead to better educational outcomes for children, which is crucial for long-term economic development. Increased access to education can help reduce income inequality by providing more opportunities for low-income individuals to improve their economic status.



Social Measure 4

Support for Vulnerable Populations

The government has allocated J\$1.1 billion to the Ministry of Labor and Social Security to provide individual grants of J\$20,000 to vulnerable populations.

Direct cash transfers to vulnerable persons can reduce poverty and improve living standards. The grants could assist in stimulating the economy as recipients spend the money on goods and services. Reducing poverty can lead to greater social stability, which is beneficial for long-term economic growth.



Social Measure 5

Public Private Partnerships (PPP) for Water Treatment Plant

The government has endorsed a PPP to build the Rio Cobre water treatment plant, which will provide an additional 15 million gallons of water daily to benefit Jamaicans.

The new water treatment plant is expected to improve water supply, benefiting households, businesses, and agriculture. Reliable water supply is crucial for social and economic development, particularly in agriculture and manufacturing sectors. The construction and operation of the water treatment plant is also expected to create jobs, both directly and indirectly.



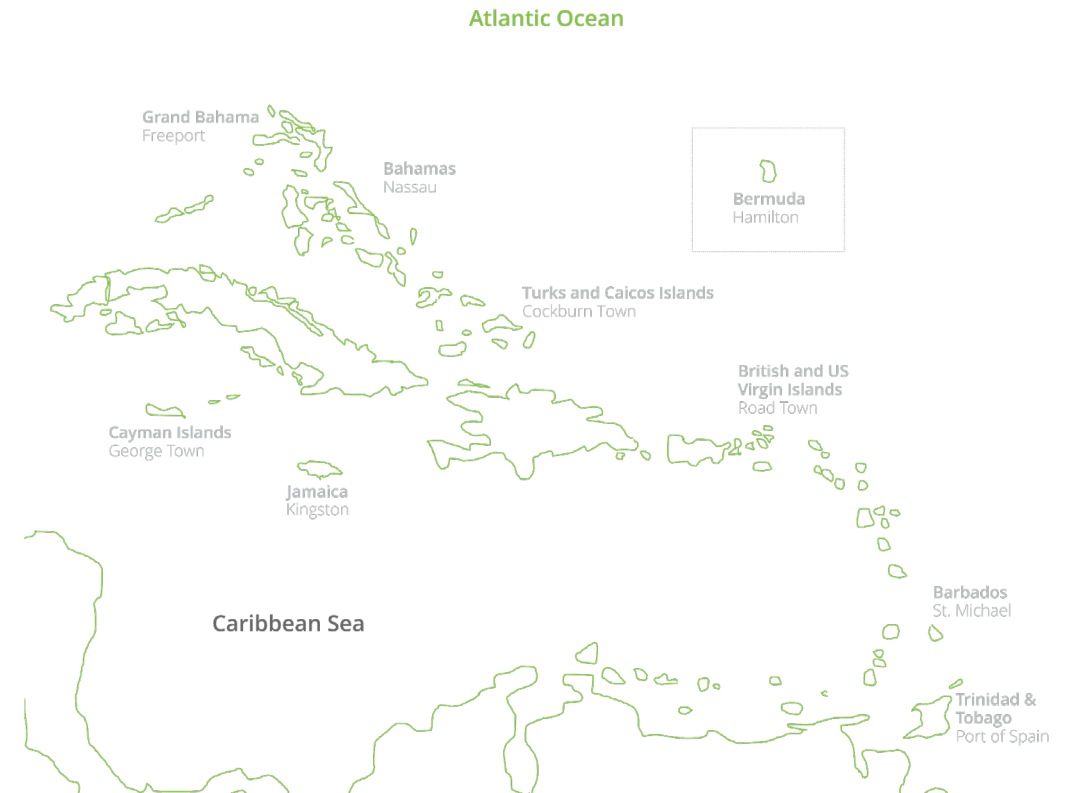
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The CBC team offers wide-ranging technical and commercial expertise, along with the market insights to help clients meet their business goals.





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