

# Investing or doing Business in Jamaica?

- An overview.



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## **GENERAL OVERVIEW**

Jamaica is the largest English-speaking island in the Caribbean. It is known for its natural beauty, resource endowments, tropical climate, lively culture, and phenomenal sporting successes. The country has also had the advantage of political stability.

Jamaica has not been spared from the effects of the current economic downturn in other parts of the world. It also has social and economic problems that pre-date this.

During this decade though, Jamaica has liberalized much of its economy, reduced the proportion of the population living below the poverty line, and expanded in particular its tourism, financial services and telecommunications industries.

Jamaica has set as its goal the achievement of developed country status by 2030. This is highlighted in a long term national development plan dubbed Vision 2030 – “Jamaica, the place of choice to live, work, raise families and do business”.

The country has been successful in reaching some important standards that create a favourable business climate. For instance, according to Porter and Schwab’s Global Competitiveness Report 2008-2009 (2008), Jamaica is in the efficiency-driven stage of

development having attained levels of *Higher Education and Training, Goods Market Efficiency, Labour Market Efficiency, Market Size, Financial Market and Sophistication, and Technological Readiness* that are necessary to place it in this category.

Regulatory as well as legislative developments have been integral to the country's *Financial Market and Sophistication, and Technological Readiness* mentioned above. Over the past decade the financial sector has seen the strengthening of the regulatory institutions and framework some of which we highlight below.

A perusal of the World Bank/IFC Doing Business 2009 study highlights that overall, Jamaica is ranked 63 of 181 economies in terms of the 'ease of doing business'. Significantly, Jamaica was ranked 11 and 22 for starting and closing a business, respectively.

Jamaica is open for business and seeks to encourage and grow direct foreign investment into the country. We set out below some essential information about Jamaica and doing business on our Island.

## **GEOGRAPHY**

With a total land area of 4,442 square miles (10991 sq. km.) and a population of approximately 2.8 million, Jamaica is situated in the Caribbean Sea, only 890 km south south east of Miami. Jamaica is the largest English-speaking Island in the Caribbean and the third largest in the region. Because of its location the island is called on by over thirty major shipping lines, which provides transoceanic and other regional services including customs and cargo clearance services. Port Bustamante, in the capital city Kingston, is situated in the world's seventh largest natural Harbour in the World. The main seaports include Kingston, Montego Bay, Ocho Rios and Port Antonio.

## **RELIGION**

Religion comprises of several denominations – Anglican, Baptist, Presbyterian, Methodist, Seventh Day Adventist, Jehovah's Witnesses, Roman Catholic, Jewish, Evangelical and Rastafarian.

## **TIME**

Jamaica is on Central Time with no change for Daylight Savings Time.

## **CLIMATE**

Jamaica's climate is one of its greatest attributes - temperatures are warm throughout the year. Our warm and stable weather the basis for economic development through tourism and provides a generally good living environment. However, Jamaica, like most Caribbean Islands and the south eastern United States, is located within a hurricane zone and is at risk for hurricanes during the Hurricane season between June to November.

## **GOVERNMENT**

A member of the British Commonwealth, the democratically appointed government of Jamaica comprises a Governor General appointed on the recommendation of the Prime

Minister who acts as the representative of the Queen of England. The House consists of a House of Representatives (the Lower House of elected Parliamentarians) and the Senate (the Upper House of nominated Senators). The majority party forms the Government and the minority is called 'the Opposition.'

Jamaica has a written Constitution which is the supreme law of Jamaica.

### **TECHNOLOGY & SERVICES**

Jamaica is technologically advanced in its communication with competitive services offered by a variety of international telecommunication service providers offering modern and highest quality amenities including: mobile service, ADSL, digital cable, 3&4G Networks and high-speed Internet access. Jamaica has a large volume of telecom and internet data with North America, the Caribbean and Europe. Cable and satellite facilities provide alternative transmission modes to the rest of the world. Digital exchanges as well as mobile and cellular services combine with the latest information technology applications to offer state of the art services to the corporate sector. Jamaica Post as well as private courier services for both internal and international freight and packages are also available.

Island-wide, the electricity and water supply is ample for the population and the water is potable. Transportation is diverse, namely the numerous international airlines, passenger and cargo transportation; the completion and commissioning of the first leg of Highway 2000 and the North Coast Highway (and the present construction of the north to south coast leg of this highway) will significantly reduce the time it takes to travel, increasing efficiency and productivity. There are three international airports – [Norman Manley International](#) in Kingston and [Sangster International](#) in Montego Bay and the recently upgraded Boscobel Airport just outside Ocho Rios. Additionally, the improvements being made by the Government on the wide and varied road network leading into every town, and district in every parish makes motor travel relatively easy. All vehicles must drive on the left-hand side of the road in Jamaica. There is a limited rail network now only used by the Mining and Agricultural sectors.

### **ECONOMY & BANKING**

Jamaica is categorized as an emerging country and consists of a mixed, free-market economy combining both state-owned entities and private-sector organizations. Mining and agriculture are our two most important economic sectors with tourism and manufacturing contributing significantly to the economy.

The Banking Act of 1960, amended in 1992 established the [Bank of Jamaica](#) as the country's central bank. It issues and regulates our currency, the Jamaican dollar and administers exchange control policy (foreign currency trading and licensing of authorized foreign exchange traders). Companies wishing to carry on banking business are obligated to obtain a license from the Minister of Finance, fulfill certain minimum share capital requirements, maintain cash reserves at the Bank of Jamaica and also maintain a specific minimum ratio of liquid assets to deposit liabilities and also make certain information accessible to the Inspector of Banks.

Through the commercial and merchant banks throughout the island you can utilize online and telephone banking to check balances, view account activity, transfer money, pay bills and download account information. The banks through their network of branches across Jamaica, offer competitive and attractive interest rates for loans, asset management and securities. Business is also done in foreign currency throughout Jamaica and the rate of exchange is J\$89 to US\$1 (June, 2010). Regulated remittance services island-wide provide an outlet for buying and selling foreign exchange.

Despite financial problems and the economic fluctuations the country faces, there is potential for growth. The Government of Jamaica is endeavouring to encourage economic action by providing a wide range of incentives to investors including duty free access for imported materials and machinery.

The major commercial banks in Jamaica are the [National Commercial Bank Jamaica Limited](#), [Bank of Nova Scotia](#), Citibank, [RBTT Bank Jamaica Limited](#), & [FirstCaribbean International Bank Jamaica Limited](#).

Government and other lending institutions include:

- **The Development Bank of Jamaica** – The merger of the Agricultural Credit Bank of Jamaica Limited and the National Development Bank of Jamaica Limited created the Development Bank of Jamaica Limited. Established to provide medium and long term funds to business enterprises through commercial banks, its primary objectives are: to foster economic development in Jamaica, increase employment by assisting in the establishment, expansion, diversification and modernization of business enterprises and to facilitate the widening of Jamaica's entrepreneurial base. The Bank's mission is to assist in the development and modernization of all viable enterprises in the agriculture, agro-industrial, services, manufacturing and tourism sectors of the economy. These are provided principally through the Bank's network of Approved Financial Institutions, which include Commercial and Merchant Banks, Peoples Co-operative Banks and Credit Unions.
- [Jamaica Mortgage Bank \(JMB\)](#) - This institution deals in primary and secondary mortgage markets.
- **Small Business Loan Board** – This is a statutory body, which encourages the production of specific commodities by extending credit and financing generally or through grants and subsidies to industry, commerce and agriculture.
- **Credit Unions**
- **Building Societies** – Financial institutions that mobilize savings and extend medium and long term financing mainly through mortgages.

- [National Export – Import Bank of Jamaica Limited](#) (**Ex-Im Bank**) - Trade is encouraged between Jamaica and other countries through the provision of insurance and financing services to exporters, manufacturers and the construction industry. The Ex-Im Bank operates three facilities, which allow exporters to obtain capital financing. The Pre-Shipment Financing Facility, The Bankers Export Guarantee Facility and the Export Credit Facility.

### **THE JAMAICA STOCK EXCHANGE**

The types of securities traded by the Exchange are Securities, ordinary/common, preference and corporate bonds. Government Bonds are traded in Bank of Jamaica regulated over the counter market, principally by stockbroker members and are not listed on the Exchange. Stock broking is restricted to broker members who trade both as agents and as principals. Under the Companies Act, the broker members make up the members of the Exchange with the right to exercise all powers of directors. Currently, over fifty companies are listed on the [Jamaica Stock Exchange](#). The listing of securities on the Exchange is in the absolute discretion of the Council of the Exchange, which may delegate such powers to a duly appointed committee. Listed companies are required to conform to provisions of the Companies Act of Jamaica and to provide the Exchange with annual audited financial statements with certain minimum information and within specific time periods. Additionally, listed companies are required to submit quarterly unaudited financial returns.

### **FINANCIAL SERVICES COMMISSION (FSC)**

The [FSC](#) supervises and regulates the securities industry, the insurance industry as well as the private pensions industry. As such it may be properly described as an integrated financial services regulator. In doing so the FSC oversees the registration, solvency and conduct of approximately 114 firms and over 1,200 individuals doing business in the securities and insurance (life and General) industries. It is also responsible for the registration and oversight of all private pension plans and pensions administrators and investment managers.

### **SECURITY**

The [Jamaica Constabulary Force](#) provides security for the Island, the national police force reinforced by [The Jamaica Defense Force](#) (army). A number of commercial organizations also provide security, services, guards, guard dogs, cash and payroll transportation.

Possession of Firearms by private individuals are strictly regulated and licensed and one can only own and possess a firearm with the permission of the police and a License issued by the Firearms Licensing Authority.

### **LABOUR AND EMPLOYMENT**

#### **WORKING CONDITIONS**

Non-residents of Jamaica are required to obtain the permission of the Ministry of Labour prior to engaging in any gainful venture or form of employment. The prospective employer submits the application to the [Ministry of Labour](#) on the basis of non-

availability of local skills. [JAMPRO](#), a government agency issues permits to independent foreign investors upon approval of application and submission of necessary paperwork. Permits are usually granted for a period of two years.

### **MINIMUM WAGE**

The National Minimum Wage Law provides for a general minimum wage in 2010 of J\$4,070.00 for a 40 hour week.

### **Other Minimum Benefits**

All workers are entitled to vacation leave, sick leave with pay, one rest day per week. On termination or dismissal workers are entitled to pay in lieu of notice after working for a specified period of time and the pay scale increases with the duration of time with the organization. The law also provides for maternity leave and discrimination between sexes is prohibited.

### **Statutory Contributions**

- National Insurance Services (NIS) – All employees over the age of 18 must contribute 2.5% of their wages with the employer up to a maximum salary level of \$15,080 per annum.
- [National Housing Trust](#) (NHT) – The contribution for NHT is employee 2% and employer 3%.

### **Other Contributions**

**Pensions** – This is discretionary and certain private sector employees have pension plans for their employees.

**Education Tax** – A contribution of 2% of the employee's gross salary is deducted on a monthly basis.

**P.A.Y.E. (Pay As You Earn)**– Employees are required to deduct 25% income tax from the wages of their employees less the threshold. Monthly payments must be made to the Collector of Taxes.

**HEART** – The employer contributes 3% of the employee's salary.

## **TAXATION**

### **Income Tax**

All residents and non-residents of Jamaica with income arising in Jamaica are subject to income tax unless otherwise stipulated under legislation.

### **Other Taxes**

- Stamp Duty
- Property Tax
- Transfer Tax

- Import Duty
- Excise Duty
- General Consumption Tax (GCT)

### **Double Taxation Treaties**

Jamaica has Double Taxation Treaties with over 25 Countries including The United States of America, Canada, The United Kingdom, China, France, Germany and all Caricom nations. These treaties deal with relief from double taxation on income tax and relief on tax on interest. For example, under the Double Taxation Treaty payment for interest rates to non-residents are Canada 15%, USA 12 ½%; U.K. 12 ½%; The Federal Republic of Germany 12 ½%, with the exception of recipient bank 10%; Sweden 12 ½%; Israel 15%; Norway 12 ½%; Denmark 12 ½%. If the rate is not relieved by double taxation non-residents are subject to pay a withholding tax at 25% for individuals and 33 1/3% for other persons. This rate may be subject to reduction depending on the type of income and the country of residence.

### **LEGALLY RECOGNISED FORMS OF BUSINESSES**

- Limited Liability Company
- Branch of foreign company
- General or limited Partnership
- Sole Proprietorship

As a result of the concessions under the incentives provided by the legislation outlined below, which are in most cases restricted to bodies incorporated, the limited liability company has found the most favour with investors.

The branch of a foreign company that wishes to open business in Jamaica must be registered under the Companies Act and is regulated under Jamaican laws. Annual audited financial statements of companies incorporated in Jamaica are also required under the [Companies Act](#).

### **Company Name & Registration**

Businesses operating without registering at the Companies Office of Jamaica (formerly the [Registrar of Companies](#)) are operating illegally. Once registered, businesses are uploaded to the Companies Office of Jamaica website. This allows, individuals and firms to check company documents or business names online.

To register business names, the following is necessary:

- Sole Traders must submit a BN1 form.
- Partnerships must submit a BN2 form.
- If the business sells goods each applicant must submit three photographs certified by a Justice of the Peace or an Attorney-at-Law. In the case of a partnership, all partners must supply photographs.

- A registration fee is payable.

## **JAMAICAN PREFERENTIAL TRADE AGREEMENTS**

Jamaica is a member of the Caribbean Single Market (CSM), which encourages the free movement of goods and services with twelve other countries, through measures such as eliminating barriers to intra-regional movement and harmonizing standards to ensure acceptability of goods and services traded. The [CARICOM](#) Single Market (CSM) coordinates and harmonizes economic policies, interest rates, laws and tax regimes in order to create more even development across member states and enter effectively into trading arrangements and economic links with other countries and regional groups. The Island is one of the few countries that receives preferential tariff treatment on its products entering industrialized countries.

### **Generalized System of Preference (GSP)**

An emerging country, Jamaica falls under the group of Third World countries, called the Group of 77 which is eligible for GSP, designed to afford emerging countries preferential access to a wide range of their exports to the developed countries to increase the export earnings of the emerging countries. Agricultural and agro-industrial products benefit particularly from this arrangement.

### **807 Programme**

Under the provisions of the United States, U.S. components assembled outside the United States and re-imported into the United States do not attract import duty on the full value of the fully assembled product. Exporters of goods made up of U.S. components may gain access to the American market, duty free.

### **Lome Convention**

This is a combined trade, industrial, financial and technical cooperation agreement between the twelve countries of the European Union (EU) and 66 African, Pacific and Caribbean (ACP) nations. This allows free access to the EU market for goods exported from the ACP and provides financial aid.

### **Trade Agreements**

- Asia: China, Republic of Korea
- Caribbean and Latin America: Caricom, Costa Rica, Dominican Republic, Mexico
- Africa: Nigeria
- Europe: Economic Partnership Agreement – EPA
- World Trade Organization ([WTO](#)).

## **INCENTIVES (LEGISLATION) FOR INTERNATIONAL INVESTORS**

Jamaica welcomes foreign investment.

The Government agency, Jamaica Promotions Corporation (JAMPRO) exists to facilitate the establishment of businesses and the expediting of proposals through the various Ministries where applications have been made for licenses or concessions under the incentive legislation.

#### **Export Industry Encouragement Act**

The Act stipulates that in order to qualify for incentives the manufacturer must be an exporter of manufactured products exclusively for sale outside of Jamaica and other CARICOM countries. Upon fulfillment of these requirements the manufacturer may receive concessions on income tax for up to ten years and well as exemption from import duties on raw materials and machinery.

#### **The Jamaica Export Free Zones Act**

The Act empowers the Minister to designate certain areas in Jamaica as Export Free Zones. There are two such designated areas, the Kingston Export Free Zone and the Montego Bay Free Zone. Activities such as warehousing and storing, manufacturing, trans-shipment, exporting, importing, service operations, packaging and shipping, assembling and merchandising can be undertaken in the Free Zone areas.

#### **The Industrial Incentives Act**

This Act applies to companies that will produce primarily for sale on the Jamaican market. If the business is a producer with an 'approved product' in an 'approved enterprise', then they may stand to benefit from this Act. This exempts them from the payment of income tax for a period of time, depending on the product.

#### **Shipping Act**

When a company is recognized as an 'approved shipping corporation' they may receive tax relief and concessions on import duties for up to ten (10) years.

#### **Moratorium on Duties**

A company that does not qualify under existing incentives laws, but is able to prove that it holds the potential to significantly contribute to foreign exchange earnings may be granted relief from export duties by the Finance Minister for up to three years.

#### **Exchange Control Act**

The Government has no restrictions on foreign currency flowing into or out of Jamaica.

#### **Bauxite and Alumina Industries Encouragement Act**

A business engaged in the mining of bauxite or the production of alumina in Jamaica receives concessions on capital goods, lubricating oils, grease and other chemicals under this Act.

#### **Hotel Incentives Act**

A hotel must have 10 or more bedrooms to benefit from this Act, in addition to providing meals and accommodation for transient guests, including tourist. The Act offers upwards of 10 years income tax relief and duty concessions.

### **Factory Construction Law**

Companies that construct factories and lease or sell them to manufacturers under the export industry Act are granted relief from import duties for items which are unavailable locally and income tax on income from factory leasing or gains made from sales.

### **International Financial Companies Act (Income Tax Relief Act)**

This Act provides for partial relief from income tax for the benefit of bodies corporate considered to be international finance companies and are approved and recognized under the Act.

### **PUBLIC HOLIDAYS**

New Year's Day – January 1

Ash Wednesday - )

Good Friday – Varies

Easter Monday - )

Labour day – May 23

Emancipation Day – August 1

Independence day – First Monday in August

National Heroes Day – Third Monday in October

Christmas Day – December 25

Boxing Day – December 26

We invite you to visit our website at [www.dunncox.com](http://www.dunncox.com) as well as following the below links for more in-depth legal information to assist you in investing and doing business in Jamaica or visit us at 48 Duke Street and speak to one of our Attorneys.

[www.dunncox.com/pages/faqs.htm](http://www.dunncox.com/pages/faqs.htm)

[www.dunncox.com/library/articles.php](http://www.dunncox.com/library/articles.php)

[www.dunncox.com/pages/library/lawnotes.php](http://www.dunncox.com/pages/library/lawnotes.php)

For general information on investing in Jamaica, please visit the following pages:

<http://www.doingbusiness.org/ExploreEconomies/Default.aspx?economyid=97>

[www.investjamaica.com/faqs/answers/incentives.php](http://www.investjamaica.com/faqs/answers/incentives.php)

[www.jrs.gov.jm/](http://www.jrs.gov.jm/)

[www.iprcommission.org/graphic/views\\_articles/legal\\_times.htm](http://www.iprcommission.org/graphic/views_articles/legal_times.htm)

[www.investjamaica.com/faqs/answers/work.html](http://www.investjamaica.com/faqs/answers/work.html)

[www.nla.gov.jm/land\\_titles.html](http://www.nla.gov.jm/land_titles.html)

[www.orcjamaica.com](http://www.orcjamaica.com)

1. Administrator General's Department  
<http://www.mnsj.gov.jm/agd>
2. Bank of Jamaica  
<http://www.boj.org.jm>
3. JAMPRO  
<http://www.investjamaica.com>  
<http://www.thetimes.co.uk>
4. Jamaica Real Estate Listings  
<http://www.jarealty.com>
5. Registrar General's Department  
<http://www.rgd.gov.jm>
6. Registrar of Companies  
<http://www.orcjamaica.com>
7. Statistical Institute of Jamaica  
<http://www.statinja.com>
8. Titles Office  
<http://www.nla.gov.jm>



Kingston, Jamaica