How Does One Start A Business In Jamaica?

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How Does One Start A Business In Jamaica?

Submitted By: Mary-Ann Natale

Submitted To: Dean Arthur E. Snyder

Lynn University
School of Graduate Studies

A Graduate Project Submitted to the School of Business Administration of Lynn University In Partial Fulfillment of the Requirements for the Degree of Master of Professional Studies.
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Abstract

Objective:

To provide a company with a comprehensive overview of the governmental as well as social process as it relates to the formulation of a business entity in Jamaica.

Methodology:

1) Literature review of magazine articles and books.

Conclusions:

The results of this project gives a company an easily understandable and executable document, with which one could form and operate a business entity within the Jamaican governmental guidelines. This document also shows that the hospitality industry (i.e. Hotels/Restaurants) is quite a predominant field to be entering in at this time in Jamaica. Throughout this exposition one could conclude that in opening a business in Jamaica, a company may incur a
tremendous amount of taxes (G.C.T., P.I.T., V.A.T). A MNC, Multinational Corporation, may also be exposed to certain clauses in the trade policy. There are no laws in Jamaica which dictate contract terms for agent distributors. There are, however, laws on imports, exports and free trade zones. In following the steps throughout this document, a company may have a foundation in how to enter into a business in Jamaica. The succeeding information must be filed after one month of establishing a branch operation in Jamaica: 1) certified copy of the charter, 2) articles of association, 3) a list of directors of the company, 4) name and address of the resident in Jamaica who is authorized to accept notices served on the company.
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Chapter 1: The Problem and its Settings
Chapter 1: The Problem and its Settings

Statement of the Problem

How does one start a business in Jamaica?

Sub-Problem

The first sub-problem What is the historical overview of Jamaica and what governs the businesses there?

General Background to the Problem

Prior to 1494, Jamaicans were exclusively Arawak Indians. "They called their island "Xaymaca", land of wood and water."(Cohen,13). They way of survival was to fish for seafood, grow maize, sweet potatoes, guavas and cashews. They also battled with Columbus's ships with their primitive weapons to obtain food and tools. Many were wounded and some were killed on the first day of attack. The next day, the humbled Arawaks, brought food and trade offerings in friendship to the visitors. From that point on the Europeans took total
advantage of the Indians. Spain and England fought over Jamaica until 1670’s Treaty of Madrid, which gave control of Jamaica to the British. Jamaica has been Independent since 1962.

Many Jamaicans today live off of selling their crops, just as they did in the 1600’s. The most well know crop in Jamaica is coffee. The Jamaican Blue Mountain Coffee is said to be the best in the world. This coffee is sold here in the United States for about $30-$50 per pound. Tobacco, and sugar are some and other crops in which Jamaicans make money to survive on.

The motto of Jamaica is “Out of Many, One People”. This motto suites the country well, Jamaicans have many different cultural backgrounds comprising mostly of Chinese, Indian, African, European, and Asian descent. Despite these differences, they somehow manage to come together in harmony, “One Love” and all proud to be Jamaican. They have little to no prejudices, and they treat one another like one family. Jamaica is still a Third World country. Their spending
and buying habits are very different to the people of the United States. They are, however, becoming a developing country.

**Basic Economic System**

"Jamaica was once considered to be the brightest economic star in the Caribbean" (Luntta, 34). Today Jamaica is a developing country. From the years 1960-1973, immediately prior to and after Jamaican Independence, Jamaica had a strong handle on the economy. "The 1987 GDP was equivalent to US $2.9 billion, or US $1160 per capita. In 1990, imports totaled US $1.4 billion while exports were reported at US $821 million. In 1995 the GDP, purchasing power of parity was 7.8 billion." (Economist, 1996)

Today, less than one-fourth of the Jamaican workforce is unemployed. About one-third of the employed are involved in the agricultural sector. Presently, tourism has become the number-one foreign exchange earner for Jamaica. Prior to tourism in Jamaica, bauxite deposits were the foundation of the country's economy. Bauxite, still plays a large factor in today's economy in Jamaica, it is ranked the
second highest exchange earner. Distributive trade, government and real estate services account for about fifty percent of GDP. Manufacturing accounts for about one-sixth of the GDP. The main manufacturing sub-sectors include food processing, beverages, and tobacco.

"Traditional agricultural exports include sugar, bananas, coffee, cocoa, citrus, and spices" (Beckford, 18). Jamaica depends on trade for its economic welfare, and is vulnerable to economic conditions overseas.
Labor Distribution for 1995:

1) Finance, Real Estate and Services 22.2%

2) Agriculture 22.2%

3) Manufacturing 8.8%

4) Trade 13.4%

5) Public administration and defense 7%

6) Public utilities, Transportation, and utilities 3.9%

7) Construction 5.6%,

8) Mining 0.7%

9) other including unemployed 16.2%.

Political System

Jamaica is an independent member of the Commonwealth of Nations. Its 1962 constitution decrees that the British monarch is head of state, represented in Jamaica by a Governor General. The Governor General is commonly referred to as the "GG" by locals. The GG is Jamaican
and officially nonpartisan. The current Governor General is Sir Howard Cooke.

The Jamaican Parliament is comprised of the Legislative House of Representatives and Senate Chambers. The Senate has twenty-one members, thirteen of whom are recommended by the prime minister and appointed by the “GG”. The remaining eight are recommended by the parliament opposition leader.

The voting age in Jamaica is eighteen years old and up. “Voters come from constituencies in the fourteen political divisions, parishes, and corporate areas of Kingston and St. Andrew” (Ramdin, 47).

The House of Representatives utilize considerable power, even the power to override Senate votes. Changes in Jamaica’s constitution are made only by a two-thirds majority vote in each house of Parliament.

Jamaica’s judicial system also has its roots in British common law. It incorporates a supreme court, a court of appeals, magistrates’ courts, and lower courts. Local government is administered by parish councils, one in each of the countries fourteen parishes.
Degree of Control the Political System Applies to the Economic Decisions

Regulatory Agencies:

1) The Ministry of Industry and Commerce regulates the establishment of price controls governing certain commodities.

2) The Jamaica National Investment Promotion Limited is the primary agency responsible for the registration of foreign investment proposals.

3) The Jamaica Trading Agency is the controlling factor of what comes in, and what goes out of Jamaica.

4) The Coffee Industry Board is a regulatory agency which examines the type and quality of coffee that Jamaica imports and exports.

5) The Natural Resource and Conservation Department is also another regulatory department, it is located in Kingston. "With the exception of imports of milk solids, monopoly rights of the state Jamaica Commodity Trading Company (JCTC) ceased June 30, 1991. The Embassy is unaware of any government regulatory
policy that would have a significant adverse impact on U.S. exports.” (The Observer Journal)

Fiscal Policy:
“...The Jamaican Fiscal Year 1995-1996 budget provides for continued spending severity. The budget is designed to reduce the public sector deficit 2.2 percent of GDP via a two percent real increase in tax revenues and a five percent decrease in central government expenditures” (The Daily Gleaner Journal).

The depreciation of the Jamaican dollar during the second half of 1995 has put pressure on the government to cut spending on capital projects.

Monetary Policy:
“...The monetary policy over the period 1993 to 1994 had to accommodate to the budgetary requirements of the public sector. Although the fiscal accommodation was not reflected in the balance of payments accounts or in the price level in 1993 and 1994, once the economy faltered, the effects of the underlying fiscal disequilibrium
were revealed." (Worrell, 142) The interdependence of fiscal and monetary policies put severe limits on the exercise of discretionary monetary control.

“To control inflation and to reduce the demand for scarce foreign exchange, the government continues to maintain a high cash reserve ratio and sell new government securities” (The Daily Gleaner Journal). High interest (currently 30-35 percent) paid by the government on these securities is not balanced by new revenue inflows, and thus contributes to sharp increases in the money supply. The Bank of Jamaica, now aware of the effects of these policies, has indicated its intention to rely on more orthodox open policies.

**Type of Society:**

The society in Jamaica is both a socialistic society as well as a capitalistic society. The Jamaican upper class is considered to be the capitalist class. Because of dependency upon state resources, the Jamaican upper class (capitalist class) has been overwhelmed by middle-class contenders for state control.
The Capitalist, however, are still in the high majority of the population.
The majority of the society today seems to be more of a Capitalistic "We have equally combined the best qualities of capitalism and socialism to make our society commensurate." (The Observer Journal).
Also, in Jamaica the disparity between classes is apparent, rich are extremely wealthy and the poor are extremely destitute.
Business Organizations

"The primary forms of business in Jamaica are the corporation, branch, partnership, joint venture, and sole proprietorship. Foreign investors typically operate through private companies limited by shares of branch operation." (The Observer Journal)

Foreign Investment

The Government of Jamaica welcomes foreign investment in virtually all sectors. Joint venture projects are preferred, although 100 percent foreign ownership is allowed.

Incentives:

Incentives are typically granted to companies that earn foreign exchange, use Jamaican raw materials, create employment opportunities, or introduce new technology. Tax incentives include tax holidays and duty-free entry of raw materials and capital goods for
approved incentives periods. Tax holidays are also extended to businesses locating in less developed regions.

**Intellectual Property Rights**

Jamaica is a member of the World Intellectual Property Organization (WIPO). Though not party to any other multilateral intellectual property conventions, Jamaica intends to adhere to the Paris Convention for the Protection of Industrial Property (i.e., patents and trademarks) and the Berne Convention for the Protection of Literary and Artistic Works.

**Corporation:**

The establishing of a corporation requires all of the necessary documentation to be filed with the Registrar of Companies. Private companies must restrict the right to transfer of shares; limit the number of shareholders to 20; prohibit any invitation to the public to deposit
money for fixed periods; and prohibit any person, other than the holder, from owning company shares. (The Daily Gleaner)

Some advantages of incorporating are: limited liability, benefits from tax treaties, and better public image.

**Branches:**

Foreign companies must file with the Registrar of Companies within one month after establishing a branch operation in Jamaica. Some advantages of a branch operation are: greater capital base, being a foreign corporation; and cessation of business more straightforward than liquidation of a corporation.
The following information must be filed:

1) a certified copy of the charter

2) articles of association,

3) a list of directors of the company,

4) the name and address of the resident in Jamaica who is authorized
to accept notices served on the company.

Transfer of Branch Profits

“The transfer of branch profits to head office is subject to withholding
tax of 33 1/3%” (AOL March 1996)

Joint Ventures:

J.V. automatically take the form of partnerships, although the business
arrangement is carried out in the form of a company registered under
the Companies Act.
Partnerships

Most forms of business can be carried on by a partnership. “However, the Companies Act prohibits any incorporated company, association or partnership carrying on a business for gain from exceeding 20 persons, unless it is registered under the act.” Partnerships may either be general or limited. A limited partnership falls under the Limited Partnership Act of 1853. “This is a partnership consisting of general partners who transact the business of the firm and special partners who contribute a specific sum of money.” Limited Partnerships must also be registered with the Deputy Keeper of Records. This type of partnership is rarely used. A general partnership is more frequently used. In a general partnership every partner is liable as a whole.

Sole Proprietorships

“There are no statutory regulations relating to the registration of a sole proprietorship.”
Tax System

"Estimated tax receipts for JFY 1994/1995 comprise 83.5 percent (10 billion Jamaican Dollars) of total revenue. The primary taxes are income taxes (4.5 billion Jamaican dollars)." (Scoones, 13)

Corporate Taxes:

All companies (except building societies and life insurance companies) operating in Jamaica are subject to company tax at a flat rate of 33.3 percent. Building societies are taxed at 30 percent and life insurance companies pay tax at 7.5 percent of taxable income less management expenses. Banks registered under the Protection of Depositors Act are liable to pay an additional tax of six percent (in addition to the 33.3 percent company tax) on taxable income. Legitimate charitable organizations and companies approved under the incentive legislation are exempted from income tax. The incentive legislation includes: the Industrial Incentives Act, the Export Industry Encouragement Act, the Hotels Incentives Act, the Resort Cottages Incentives Act, the Motion Picture Industry Encouragement Act, and the Shipping Incentives Act.
Under incentive legislation, companies operating on the island may be granted income tax exemption to a maximum of 10 years, and for convention-type hotels, tax exemption may extend up to 15 years. Certain agricultural activities such as horticulture, fruit growing, livestock, fishing or fish farming, and the growing of trees for lumber are also exempt from the company tax for a period of 10 years. Companies operating under the Free Zone Act producing exclusively for export are entitled to income tax exemption in perpetuity.

In the calculation of taxable corporate income, companies are allowed to deduct certain expenses. Furthermore, companies receive an initial allowance of 20 percent of the cost of industrial buildings and machinery for the year in which the asset was acquired and 12.5 percent allowance of the cost of motor vehicles used for business. In the case of basic industries, investment allowances ranging from 20 to 40 percent of capital expenditure are available. Annual depreciation deductions are permissible between 2.5 and 20 percent depending on
the type of asset. Losses for tax purposes may be carried forward until they have been totally utilized.

Jamaica has no tax on capital gains. However, a capital transfer tax is payable on the transfer of land, buildings, securities, and shares in corporations. The tax is levied at 7.5 percent of the sale proceeds, but is limited to 37.5 percent of the capital gains realized on the transfer, whichever is less. Transactions on the Jamaican Stock Exchange are exempt from this tax. Companies are also required to pay a payroll tax of three percent of the monthly wage bill as a contribution to a national training program (Human Employment and Resource Training (HEART)), three percent towards the National Housing Trust, three percent as the contribution towards education tax, and 2.5 percent towards the employees' National Insurance Scheme. However, companies providing training and employment for one or more HEART participants are permitted to deduct the amount of the remuneration from the HEART contribution for which they are liable. The maximum
contribution allowable as a deduction for each trainee is J$ 75.00 per 40-hour work week.

**General Consumption Tax:**

October 22, 1991, the government introduced a value added style General Consumption Tax (GCT) at a flat ad valorem rate of ten percent. "The G.C.T. has replaced excise duties, consumption duties, additional stamp duties, retail sales taxes, telephone service taxes, entertainment taxes, and hotel taxes". There are a number of exemptions to the G.C.T: 1) basic food, 2) medical services, and 3) residential rent payments. "Imports are subject to G.C.T at the port of entry" (Edie, 54). Today in 1996, the G.C.T. has been increased to 15%.
Personal Income Tax:

"P.I.T. is levied only on income arising from sources within Jamaica".
The reason for this is that many Jamaicans have operations in Miami (i.e. furniture stores or art stores), and it would not be fair to tax them on goods and services provided outside of Jamaica.

Value - Added Taxes:

"A V.A.T of fifteen percent is applied to most commercial transactions." (The Daily Gleaner Journal).

Trade Policy

Exports:

The Export Industry Encouragement Law was passed in 1956. This law led to the independent growth of firms producing almost exclusively for either the domestic or for the export markets.

In January 1983, in the midst of a balance of payments crisis, the government expanded its export promotion strategy to include an
export development fund (EDF) that assured availability of foreign exchange to finance imported inputs used by exporters.

Today, distributors methods vary according to the type of product and the target market. Consumer goods are usually best distributed through an importer holding merchandise, while industry goods are most effectively sold through commission agents.

Additionally, there are no laws in Jamaica which dictate contract terms for agent distributors. The parties involved basically take care of it themselves. They both sign a legal and binding agreement.

Imports:

"Import licenses are required for motor vehicles, certain chemicals, pharmaceuticals, fire arms and ammunition." (The Observer) Import licenses are also needed for fruits and vegetables. For instance, when you travel to Jamaica, on the airplane you are asked to fill out an immigration card. This card asks you if you are bringing any fruits or vegetables into the country. If you answer yes, the customs officials
will confiscate it. Unless, of course, you have a license to bring it into the country with you.

**Import Duties:**

Jamaica is a member of CARICOM. As a member of CARICOM, Jamaica imposes the common external tariff common to its members.

“Imports from outside of CARICOM are subject to import duties ranging from five to forty-five percent, with higher rates applicable to non basic and finished goods.”(Griffiths, 12) Sanitary certificates are required for livestock, carcasses, poultry, bees, fresh fruit, and vegetables.

**Free-Trade Zones:**

“The Government of Jamaica has established the Kingston Export Free Trade Zone.”( Cohen, 75) Commercial and manufacturing activities may take place free of import licensing, and customs duties. A second free-trade zone has been established in Montego Bay.
Welfare System

Jamaica does not have a welfare system. If the people of the country do not work, basically, they are responsible for themselves. The country, however, does have a type of social security system for certain workers. The government takes out a certain amount of money each week from workers pay checks, as a type of retirement fund. The employees contribution to this pension fund is 10% of their gross income.

In the past, the church had always provided welfare services: however, the church was soon overtaken by the state agencies in its guidance of the poor. The human welfare became overlooked and only those with severe disabilities are taken care of by the government.

Collective Bargaining

The constitution provides for the right to organize and belong to trade unions. This right is freely exercised and collective bargaining is widely used as a means of setting wages and settling disputes.
Disagreements may be referred to an independent tribunal and ultimately civil court. Employees may not be fired solely because they are union officers. Domestic labor laws apply in the export processing zones; however, union representation in the zones are minimal.

**Worker Rights**

**The Right of Association**

The Constitution specifically provides for the right to form or join a trade union, and obligates the Government to protect the person and property of trade unionists. Labor unions function freely. The Labor Relations and Industrial Disputes Act (LRIDA) codifies worker rights.

Jamaican law neither authorizes nor prohibits the right to strike, but unions and workers do go on strike. Striking workers can interrupt work without criminal liability but cannot be assured of keeping their jobs. However, strikes are prohibited by workers in ten broad categories of "essential services" including health and communications workers.
Prohibition of Forced or Compulsory Labor

Forced or compulsory labor is not practiced. Jamaica is a party to the relevant ILO conventions.

Minimum Age for Employment of Children

The Juvenile Act prohibits child labor, defined as the employment of children under the age of 12, except by parents or guardians in domestic, agricultural, or horticultural work. While children are observed peddling goods and services, the practice of child labor is not widespread.
Acceptable Conditions of Work

There is a national legal minimum wage, but most salaried workers are paid more than the legal minimum. The law also sets a 40-hour week with 8-hour days. Factories are subject to annual safety inspections by the Ministry of Labor. Inspections, however, are limited by scarce resources.

Rights in Sectors With US Investment

US investment in Jamaica is concentrated in the bauxite/aluminum industry, petroleum products marketing, food and related products, light manufacturing (mainly in-bond apparel assembly), banking, tourism, data processing, and office machine sales and distribution. Worker rights are respected in these sectors, and most of the firms involved are unionized. There have been no reports of US-related firms abridging standards of acceptable working conditions. Wages in US-owned companies generally exceed the industry average.
Purpose of this Study

To provide a company with an easily executable plan in opening a business entity in Jamaica.

Definition of Terms

Xaymaca - The Arawak Indian Tribe language meaning “land of wood and water”

reggae- a style of music common in Jamaica, originated in Trinidad.

Rastafarian- a follower of Marcus Garvey who worships the almighty in the person of haile Selassie.
Jamaican Terminology

“Cool runnings, my batty!”- Everything is not all right

“De left side is de right side, de right side is suicide”- Drive on the left side of the road.

cool you foot - Relax, do not worry

likkle more- We will meet again later

licky-licky- flattering

re-spect- A friendly term many Jamaicans use to show there approval of another person.

everyting cook and curry- everything is fine, all is well

yard - this word is equivalent to house

pikny- child

raatid! - used to describe vexation

“tings salt”- expression to say “low on cash”
coolie - Jamaican term describing a person from India

“mash it up”- huge success

cris- all is well

dready- friendly word used to describe a Rastafarian

cho! - expression of impatience

“Bunks mi ras”- Catch my rest, take a nap

coil - money

“to get bun”- means to have one significant other cheat on them; or to be cheated out of something

bad- good or great

bobo- fool
Abbreviations

J.V. - Joint Ventures

G.C.T- General Consumption Tax

P.I.T. - Personal Income Tax

V.A.T- Value Added Taxes

E.D.F- Export Development Fund

J.C.T.C- Jamaican Commodity Trading Company

G.D.P - Gross Domestic Product

F.T.Z.- Free Trade Zone

C.B.I - Caribbean Basin Initiative

N.I.B.J- National Investment Bank of Jamaica

N.D.B.- National Development Bank

J.M.B.L.- Jamaican Mortgage Bank Limited
Assumption

1. The first assumption is that Jamaica has many governing powers that one must overcome before starting a business in Jamaica.
Delimitation's

1. This study focuses solely on the instituting of a business in Jamaica.

2. This study does not take into account any specific business.
Chapter 2: Literature Review
Chapter 2: Literature Review

How does one start a business in Jamaica?

Relevance of the Literature Review to the Problem:

A literature review allows a researcher to harness secondary data that gives hints towards the starting of a business entity in Jamaica. Throughout the literature review it may be concluded that there are may laws that must be followed when opening a business in Jamaica.

All of the information found throughout the research provided was mostly found through the Jamaican newspapers. These papers are the Daily Gleaner and the Observer. These papers are indigenous to Kingston and are published daily. This would be an effective place to begin the marketing of a new business in Jamaica. These newspapers are readily available in all stores island wide.
General Review: (Annotated Bibliography)

1. **America Online** -downloaded March 10, 1996
   This document gave a brief overview of the Rasta/Patois language. It gave some insight to the researcher on the Jamaican language.

2. **Beckford, George. Small Garden... Bitter Weed** 1995
   This book allows the reader to view how important agriculture is to the Jamaican economy. It also shows how Jamaica may become vulnerable to economic conditions overseas.

3. **Cohen, Steve. The Adventure Guide To Jamaica** 1994
   This book deals with the free trade zones (FTZ). It emphasized the importance of these zones in both Kingston, as well as, Montego Bay. It also indicated how commercial and manufacturing activities may take place free of import licensing, and customs duties.

This article discusses the taxation procedures of Jamaica. It also communicates to the reader how taxation effects the Jamaican economy.


The author discusses the Jamaican Fiscal Year. The author also discusses how certain budgets are designed to prevent spending severity.


The author of this article concentrates on the Jamaican monetary policy. The article also touches base on the inflation in Jamaica. In the concluding component of the article, the author states how the interdependence of the fiscal and monetary policies put severe limits on the exercise of monetary control.
This article discussed what a corporation is in Jamaica. Also, what the requirements are to start a company. To establish corporation in Jamaica one must file all of the necessary paper work with the regulatory agencies before beginning.

This article summarized the GDP of Jamaica in 1995. The author of this article believes that the GDP is effected by the different sectors of the Jamaican population.
9. Edie, Carlene. **Dependency and Clientelism in Jamaica**

This book introduced what GCT (General Consumption Tax) is. "The GCT has replaced excise duties, consumption duties, additional stamp duties, retail sales taxes, telephone service taxes, entertainment taxes, and hotel taxes". There are a number of exemptions to the GCT: 1) basic food, 2) medical services, and 3) residential rent payments.


This book, in detail, discusses what CARICOM is. Also, because Jamaica is a member of CARICOM, Jamaica imposes the common external tariff common to its members.

"Imports from outside of CARICOM are subject to import duties ranging from five to forty-five percent, with higher rates applicable to non basic and finished goods."
11. **Luntta, Margaret. Historical Jamaica**

This book discussed the history of Jamaica. The book starts out by giving a brief overview of Jamaica as the “land of wood and water”. Later, the author goes into the economic development of Jamaica.

12. **The Observer, December 13, 1995.**

This article focuses on the regulatory agencies in Jamaica. These agencies mostly focus upon the investment agencies in Jamaica. Some of these agencies include: the Ministry of Industry and Commerce, the Jamaica National Investment Promotion Limited, the Jamaica Trading Agency, the Coffee Industry Board, and the Natural Resource and Conservation Department.
13. **The Observer, September 15, 1995.**

This article enters into the classifications of the Jamaican society. The author attempts to persuade the reader that Jamaica has the best of both worlds in their society. The article states that there is an equal distribution of both capitalists, as well as, socialists.

14. **The Observer, July 22, 1996.**

According to the author, there are five primary forms of business in Jamaica: corporation, branch, partnership, joint venture, and sole proprietorship.

The author recommends a branch form of business due to the fact that it is "cut and dry". One has to register that branch operation in Jamaica and they are a business entity.
15. Ramdin, Ron. *West Indies, World in View*

The author of this book conveys the political powers of Jamaica. Throughout the book the author describes the governmental setup. Including, the supreme court, a court of appeals, magistrate court and lower courts. The author also briefly goes into the voting age in Jamaica, when discussing the electoral process of the Governor General.


This book discusses many parts of Jamaica including: places to go, the history, tourist attractions, political system, and the tax system. The only information that I found to be helpful and utilized was the tax system and how it effected the JFY (Jamaican Fiscal Year).

The book describes the interdependence of the fiscal and monetary policies and how they put severe limits on the exercise of the discretionary monetary control.
Chapter 3: Procedures and Research Methodology
Chapter 3: Procedures and Research Methodology

How does one start a business in Jamaica?

Literary Reviews

The following articles are from two of the newspapers which are widely known across Jamaica. The books listed are from various authors whom have studied the Jamaican social, economic and governmental policies, as shown throughout this brief.

1. The Daily Gleaner, June 13, 1995
2. The Daily Gleaner, September 10, 1996
3. The Daily Gleaner, October 13, 1995
4. The Daily Gleaner, April 10, 1996
5. The Observer, December 13, 1995
6. The Observer, September 15, 1995
Literature Review (cont.)

7. The Observer, July 22, 1996

8. Beckford, George, Small Garden…….Bitter Weed


10. Edie, Carlene. Dependency and Clientelism


12. Luntta, Margaret. Historical Jamaica

13. Ramdin, Ron. West Indies, World In View


15. Worrell, Delisle. Economic Adjustment Policies for Small Nations

Chapter 4: Results of Research
Chapter 4: Results of Research

How Does One Start a Business in Jamaica?

Literary Reviews

All articles project a clear overview of how to start a business in Jamaica. As a result of these articles the researcher was able integrate various issues into a helpful guide of Jamaican business. The literature review allows the researcher to harness secondary data that gives an indication of how to start a business entity in Jamaica.
Chapter 5: Discussion
Chapter 5: Discussion

How Does One Start a Business in Jamaica?

The Researcher’s Perspective and Critique:

Throughout this report one may ascertain that opening a business in Jamaica may be quite lucrative. In short, there are many taxation’s and limitations to starting a business in Jamaica. Although, there are advantages to starting a business in Jamaica depending on which of the primary forms of business one decides to enter into. In a corporation the advantages would be: limited liability, benefits from tax treaties, and not to mention, a better public image. In a branch operation the advantages would be: greater capital base, being that of a foreign operation, and cessation of business more straightforward than liquidation of a corporation. Lastly, the advantages of a partnership, joint venture or sole proprietorship: 1) Sole proprietors, partners, and joint ventures are personally liable for the liabilities of the business, 2) Partners’ liability is joint and several so that each partner
is personally liable for all debts of the firm not satisfied by the partnership assets, 3) with some exceptions, a partnership cannot consist of more than 20 persons, 4) Minimal regulatory requirements to comply with and little information available for public inspection.

Subsequent to deciding which form of business one would like to enter into, the next step is to decide which field to enter. As one may have perceived via reading this document, agriculture is a very strong part of the Jamaican economy. As an individual or corporation entering into the Jamaican market, one must research what is needed in that country. Perhaps one should review the labor distribution to get a better idea as to which field is more dominant in Jamaica at this time. The labor distribution for last year was:

1) Finance, Real Estate and Services 22.2%

2) Agriculture 22%

3) Manufacturing 8.8%

4) Trade 13.4%
5) Public administration and defense 7%

6) Public utilities, Transportation, and utilities 3.9%

7) Construction 5.6%,

8) Mining 0.7%

9) other including unemployed 16.2%.

In short, this document provides a company with a comprehensive overview of the governmental as well as social process as it relates to the formulation of a business entity in Jamaica.
Chapter 6: Summary, Conclusion, and Recommendations
Chapter 6: Summary, Conclusion, and Recommendations

How does one Start a Business In Jamaica?

Summary

Jamaica has a numerous amount of lucrative business opportunities to explore. Jamaica has an area of eleven thousand square kilometers, 45% of which is under agriculture. Its population, growing about 1% every year, is about 2.5 million. Fifty-five percent living in urban areas. Its 1995 GNP per capita was $1,510. Jamaica is well endowed with natural resources and has relatively well educated and skilled labor force. The economy is sensitive to international price and demand changes.
Conclusions

The results of this project gives a company an easily understandable and executable document, with which one could form and operate a business entity within the governmental guidelines. This document also shows that the hospitality industry (i.e. Hotels/Restaurants) is quite a predominant field to be entering in at this time in Jamaica. Throughout this exposition one could conclude that in opening a business in Jamaica, a company may incur a significant tax burden (G.C.T., P.I.T, V.A.T). A MNC, Multinational Corporation, may also be exposed to certain clauses in the trade policy. There are no laws in Jamaica which dictate contract terms for agent distributors. There are, however, laws on imports, exports and free trade zones. In following the steps throughout this document, a company may have a good perception of how to enter into a business in Jamaica. The succeeding information must be filed after one month of establishing a branch operation in Jamaica: 1) certified copy of the charter, 2) articles of association, 3) a list of directors of the company, 4) name and address
of the resident in Jamaica who is authorized to accept notices served on the company.

Recommendations:

As Jamaica is developing, an immense amount of companies are becoming more familiar with the lucrative opportunities in Jamaica. The following is a checklist, which one should review before setting up a business entity in Jamaica.

Location

__ Identification of business location - factory space or land

__ Existence of adequate transport and communication facilities

__ Availability of free zones/development areas

__ Taxation implications
Premises

- Type needed
- Own or lease
- Expansion possible
- Storage facilities
- Insurance requirements
- Approvals required

Labor- Availability and compensation

- Numbers and types needed
- Project costs
- Terms of employment
- Work permits
- Recruitment
- Salary and wages withholdings
- Holiday pay requirements
- Training Courses
Formation Procedures

___ Appointment of professional advisers, such as attorneys, bankers, bankers, auditors, and tax advisers.

___ Conduct of the entity
___ Registration of name
___ Notification to Inland Revenue - GCT (VAT) registration
___ Ordering of stationary
___ Company secretarial and administrative services

The following is a checklist that one should review prior to deciding which of the primary forms of business to enter into in Jamaica.

I- Corporation

Advantages of incorporating

___ Limited liability
___ Benefits from tax treaties
___ Better public image
Availability of local funding

Funds may be obtained from the domestic capital market through a public issue.

Working capital requirements from local financial institutions

Formation Requirements

Assistance of a certified accountant or a lawyer with incorporation documents and other requirements.

Taxation

Obtain professional advise on opportunities to minimize taxes.

II. Branch

Advantages of Branch Operation

Greater capital base, being that of a foreign operation

Cessation of business more straightforward than liquidation of a corporation.

Registration requirements

Certified copies of the documents of constitution together with particulars of directors and other information have to be filed with Registrar of companies
Taxation

Foreign corporations have broadly the same obligations and rights as Jamaican resident companies, except that they cannot directly benefit from double tax treaties between Jamaica and third party territories.

III. Partnership, joint venture or sole proprietorship

Advantages and disadvantages or operating as an unincorporated business

Sole proprietors, partners, and joint ventures are personally liable for the liabilities of the business.

Partners’ liability is joint and several so that each partner is personally liable for all debts of the firm not satisfied by the partnership assets.

With some exceptions, a partnership cannot consist of more than 20 persons.

Minimal regulatory requirements to comply with and little information available for public inspection.

Formation Requirements

A written partnership agreement is desirable but not essential, but if one exists it takes precedence over common law.
Taxation

Sole proprietorships are taxed as individuals.

Partnership profits are divided between the partners and each partner, corporate or individual, is taxed on the partner’s own share of the partnerships income.

Joint ventures are separately assessed on their share of the joint venture profits or losses. They have no liability for the tax payable by their co-venturers.
References

1. America Online. *Download From Internet* - March 10, 1996.


