



BUSINESS SENSE 101:

HOW TO STRUCTURE YOUR BUSINESS

INTRODUCTION

This is the first in a series of manuals, designed to help small and medium tourism businesses in Jamaica get to grips with some of the essential elements of business planning and management.

This manual aims to help you:

- Understand key business structures and how to determine the one that suits your needs.
- Know how to organize your business structure and manage it
- Know how to register a business
- Be aware of the various tax requirements based on your chosen legal structure and know how to maintain tax compliance

With thanks to Premium Consultancy Services for their preparation of the content of this manual.
<https://www.pcsjm.com>



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Types of business structure: In Jamaica, there are several forms of business organization, with two basic structures:

- A Company: a commercial enterprise registered or incorporated under the Companies Act. A company can either be non-profit (charity, club, NGO, etc.) or profit generating.
- A Business: sole trader or partnership registered under the Business Names Act.

Deciding on your business structure: The business structure you choose affects the way you file for taxes, your day-to-day operations, and how much your personal assets are at risk if your business were to fail. Here are some of the most common types of business structures you can consider when you are planning to start a business or change your business structure.

SOLE PROPRIETORSHIP

A **sole proprietorship** is a business that legally has no separate existence from its owner. In other words, one individual owns and runs the entire business. Income and losses are taxed on the individual's personal income tax return.

Advantages of a Sole Proprietorship or Sole Trader:

- The owner reaps all rewards from the business
- Freedom to make all decisions
- Quick decision making is made easier
- Sole traders do not have to disclose accounts to the Companies Office of Jamaica (COJ).
- The business is easy to dissolve if desired.

Disadvantages of a Sole Proprietorship or Sole Trader:

- The owner takes on all risks of the business
- Unlimited responsibility/liability - all personal assets are at risk for the debts of the business
- A sole trader runs the risk of bankruptcy if the business fails.



PARTNERSHIP

A partnership is a form of business organization in which two to twenty owners work together to do trade or business. Contractually bound by a partnership agreement, the owners have unlimited personal liability for the actions of the business. The owners of a partnership have invested their own funds and time in the business, and share proportionally in any profit/loss that it generates.

Advantages of Partnership

- Shared workload and time saving
- Shared risks and responsibilities between the partners
- A range of experience, knowledge and competence is available in the business
- Shared costs between the partners

Disadvantages of Partnership

- Limited freedom to make decisions about the running of the business
- All partners are responsible for any mistakes by one partner
- Decisions tend to take longer
- The partnership may have a limited life; it may end upon the withdrawal or death of a partner.



LIMITED COMPANY

A limited company is a private company whose owners are legally responsible for its debts only to the extent of the amount of capital they invested. A company is a legal body in its own right. The company can sue in its own name. This structure makes the business a separate entity in law from the owners (the shareholders). So the company can be taxed, make a profit, or be held legally liable for its actions - separate and distinct from the shareholders. This structure therefore offers the most protection for an owner's personal assets.

The two main types of registered company are:

a) Limited by Shares

- Members can only lose the amount agreed to contribute for shares (limited liability).
- Must have "Limited" after its name.
- Commonly used for profit-making ventures.

b) Limited by Guarantee:

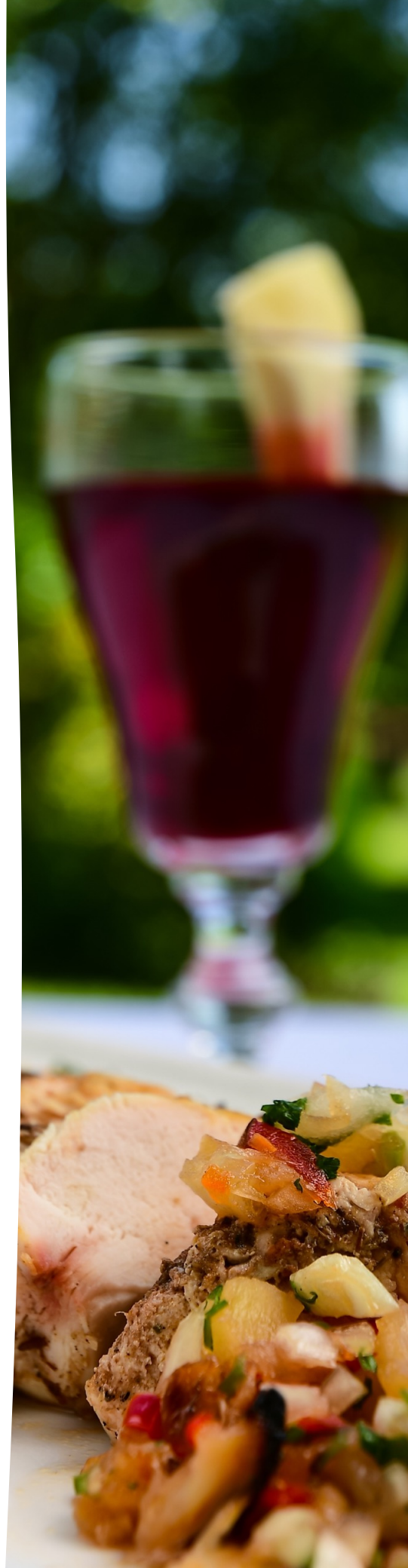
- Members agree per the Articles of Incorporation to contribute a fixed amount on winding up (no working capital). The amount is specified in the Articles.
- Usually non-profit making e.g., schools, clubs, and societies.
- Companies Limited by Guarantee Without a Share Capital do not have share capital and shareholders.

Advantages of Limited Liability

- Limited Liability – members are only liable for the amount outstanding on shares or guarantee.
- Perpetual succession – If any member dies, the company can keep going.
- May be easier to expand.
- The company may sue and be sued in its own name.
- Ownership can be easily transferred.
- Company owns its property.

Disadvantages of Limited Liability

- Government regulation.
- Publicity.
- The administration burden is greater
- Accounts must be disclosed to COJ.





Registering your business

The first step is to determine which business structure is best for you – Sole Trader, Partnership, Limited Company. Then take the necessary steps to register that business or transition from one business structure to the next. In Jamaica, business registrations are made with the Companies Office of Jamaica, either in the office or online.

Who Should Register a Business Name?

- Any individual or firm buying or selling goods from an established address.
- Any individual or firm offering services from an established address in a name other than its/their own. For example, John Brown offering services in his name need not be registered, but John Brown operating as John's Accounting or John Brown & Associates must register.

The following categories need not register a Business Name: persons who buy and sell livestock; persons occupying public market stalls and paying market fees and firms established for social or welfare purposes, public service, religion, charity, education, art, science, etc. whose income and profits are used solely for that purpose.

Benefits of Registration

Registration offers a business-like mantle and legal status which makes it easier to:

- Access loans and grants
- Obtain Government and other contracts
- Operate bank accounts in the business name
- Establish ownership of the business
- Inspire customers' confidence

Businesses operating without registering at the Companies Office of Jamaica are operating illegally. Once registered, your business is uploaded to the COJ's website. This allows, for example, individuals and firms to check your company documents or business name online and make sure you are a legal business in order to offer you credit or do business with you.

The Registration Process: A search must be conducted to ensure that the proposed name is available. The Business Name will not be registered if:

- It is identical or too close to the name of an existing trader, individual or firm registered under the Business Names or Companies Act 2004.
- The words are phonetically identical.
- It infringes on a registered trademark (e.g. Blue Mountain Coffee, Red Stripe)
- It is undesirable, offensive, profane or contains obscene words
- It contains words that suggest a connection to the 'Crown or members of the Royal Family'. Use of such words must be justified in writing prior to registration. Other words that must be justified by submission of the relevant practicing certificate include: Medical, Dental, Pharmacy, Engineer, University, Cambio, Bank, Land Survey, and Real Estate.

Based on the proprietorship, the appropriate application form must be duly completed and properly executed. The registration process also requires:

- A document verifying the applicant's place of residence. This may be provided in the form of a driver's license, utility bill or a Statutory Declaration signed by the applicant and witnessed by a Justice of the Peace.
- Taxpayer Registration Number (TRN) for all applicants/ proprietors must also be submitted along with valid identification (Driver's license, National I.D., Passport)

Upon completing the registration process, a Certificate of Registration will be issued. The business registration process for a company would also include an automatic registration for TRN, National Insurance Scheme (NIS), General Consumption Tax (GCT), HEART-NTA, National Housing Trust (NHT), and Tax Compliance Certificate (TCC) for new companies. Applications for business names only would automatically be registered for TRN, NIS, HEART-NTA and NHT.

Business names are registered with the COJ and placed on the Public Record maintained by COJ for public disclosure. Anyone may search business name information contained on the Public Record for a fee to find the owners or principals behind a business name.

Registration of Business Names certificates is valid for 3 years. After this period the Business Names Registration must be renewed. Applicants are required to complete the relevant documents at each renewal period. All changes must be filed with COJ, for example any change of Company Secretary, the appointment of Director, change of business address/location, etc.

Registration fees (correct as at September 2022)

| | |
|--|----------|
| Limited Company (Form 1A/1B - Articles of Incorporation; Business Registration Form; Stamp Duty) | \$24,500 |
| B.N 1 Renewal or BRF Registration of Sole Trader | \$2,500 |
| B.N 2 Renewal or BRF Registration of Partnerships (1 to 5 partners) | \$2,500 |
| B.N 2 Renewal or BRF Registration of Partnerships (6 to 20 partners) | \$5,000 |
| B.N 5 Notification of Change of Particulars | \$2,500 |
| B.N 6 Closure of Registration of Business | \$600 |
| Company Name Reservation | \$3,000 |



TIPS FOR MANAGING YOUR BUSINESS STRUCTURE

Plan for Success *"If You Fail to Plan, You Are Planning to Fail"* — Benjamin Franklin

One of your first steps should be to develop a **business plan**. The plan should outline specific objectives, strategies, financing, sales, and marketing goals, and a determination of the cash you need to get things done.

Writing it all down is a crucial first step. It is recommended to create a business plan before setting up operations however, it can be prepared at any time. A continuous review of the plan should be done to ascertain whether the company/business is achieving its plans or to make changes to the plan to suit current market/business conditions.

Manual 3 provides an overview of the process for preparing a business plan.

Build a Team *"The truth is that teamwork is at the heart of great achievement" — John C. Maxwell.* How do we build a winning team?

- Hire the right talent
- Empower your team to make decisions
- Invest in people and processes

Motivated, happy staff who feel supported and involved, with opportunities for developing new skills and progressing in their career, are more likely to stick with your business and offer great customer service.

Maintain Proper Records: *"Keeping records enhances the pleasure of the search and the chance of finding order and meaning in these events" — Aldo Leopold*

Create written records of everything, this will benefit you in the long run. These are like standard operating procedures (SOP). A set of step-by-step instructions to help workers/employees carry out routine operations with little or no guidance.

Maintain proper records of all business transactions. This will allow you to know your numbers. Use an accounting system to help you keep track of your numbers. Check on them regularly and make decisions based on what they tell you.

Know Your Taxes & Obligations: It is always good to know what you are getting into before you take a leap. It is sad to say but many businesses in Jamaica fail to be compliant with the relevant regulations and laws that governs their business. Make sure you understand exactly what's needed to keep your business compliant each year. Typically, this involves filing an annual return with the Companies Office of Jamaica if your business is a limited company, keeping up with your business and personal taxes, maintaining proper accounting records, and keeping your personal and business finances separate.





What you need to open a bank account for your business

The typical documents required are as follows:

- Cash Flow projection for newly incorporated business, or
- Financial Statements for businesses/companies operating for more than one year
- Certificate of Incorporation
- Memorandum and Articles of Association or Articles of Incorporation
- Taxpayer Registration Number for the company
- Valid picture identification for each signer (e.g. Driver's Licence, National ID or Passport)
- Taxpayer Registration Number for each signer
- Proof of address for each signer (e.g. Utility bill or Post marked envelope no more than 6 months old)
- Two references for each signer (Minister of Religion; Justice of the Peace (Seal to be affixed); another bank's manager.

QUICK REFERENCE GUIDES

to setting up and your obligations as

SETTING UP AS A SOLE TRADER

- Submit a name reservation with COJ.
- Complete one form - The Business Registration Form (BRF 1) "Super Form".
- A document verifying the proprietor/s' current place of address (verification can be made by way of a driver's license, passport or utility bill)
- For all transactions a TRN for the proprietor/s must be supplied.
- An original valid government issued identification of the Principal Proprietor.
- Professional Certification, where applicable
- Work permit or Exemption letter, where applicable
- Cost: \$2,500
- Turnaround time: 2 working days

Business Name certificates are valid for 3 years. Business Names must be renewed every three years. Late renewal carries a late charge of \$1,000.

Summary of obligations:

- Business net profit is taxed on the owner.
- Annual return is due on March 15.
- Benefits from the annual tax-free threshold of \$1,500,096.
- A single tax return form is used. This is called Form S04 (Self Employed Persons Annual Return of Income, Taxes and Contributions Payable For Year Ended 31, December)
- A Form S04A (Declaration of Estimated Income, Taxes and Contributions Payable (Self Employed Individuals)) is also required by law. The form captures the following taxes:
 - National Insurance Scheme (NIS) - Annual income capped at \$5m. Tax rate 6%
 - National Housing Trust (NHT) - Tax rate 3%
 - Education Tax (Ed. Tax) - Tax rate 2.25%
 - Income Tax
 - Statutory income less than \$6M - Tax rate 25%
 - Statutory income greater than \$6M - Tax rate 30%

Other obligations

- Have employees?
 - Deduct and pay over the PAYE, NIS, NHT & HEART on a monthly basis
 - File Employers Annual Return (S02)
- Is your total gross sales equal or greater than \$10m?
 - If yes, register for GCT, charge GCT of 10%/15%, where applicable, and file monthly return
- Guest Accommodation Room Tax: This tax is levied on occupied guest accommodations. The due date to file and pay is the last day of the following month. For example - July 2022 is due August 31, 2022.

SETTING UP A PARTNERSHIP

- Submit a name reservation with COJ.
- Complete one form - The Business Registration Form (BRF 1) "Super Form".
- A document verifying the proprietor/s' current place of address (verification can be made by way of a driver's license, passport or utility bill)
- For all transactions a TRN for the proprietor/s must be supplied.
- An original valid government issued identification of the Principal Proprietor.
- Professional Certification, where applicable
- Work permit or Exemption letter, where applicable
- Cost: \$2,500
- Turnaround time: 2 working days

Business Name certificates are valid for 3 years. Business Names must be renewed every three years. Late renewal carries a late charge of \$1,000.

Summary of obligations:

- Business net profit/loss is shared among the Partners.
- Annual return is due on March 15.
- Each Partner is required to file a tax return based on their share of profit/loss. They will use the same form S04 and S04a to file their tax return.
- Each Partner would benefit from the annual tax-free threshold of \$1,500,096.
- The Partnership is also required to file a Form IT03 [Return of Income and Tax Payable - Organisations (Unincorporated Bodies Other Than Life Assurance)]. This declares the profit or loss generated in the Partnership for the year and the share of profit/loss.

Other obligations:

- Have employees?
 - Deduct and pay over the PAYE, NIS, NHT & HEART on a monthly basis
 - File Employers Annual Return (S02)
- Is your total gross sales equal or greater than \$10m?
 - If yes, register for GCT, charge GCT of 10%/15%, where applicable, and file monthly return
- Guest Accommodation Room Tax: This tax is levied on occupied guest accommodations. The due date to file and pay is the last day of the following month For example - July 2022 is due August 31, 2022.

SETTING UP A LIMITED COMPANY

Name Search and Reservation

- Decide on a name
- Conduct name search at the COJ
- Request reservation of the name.
- A name can be reserved for up to 90 days before it is actually registered.

The advantages of name reservation include:

1. Establishing that the name is not already being used on the register and can be used
2. Protecting the name from use by others
3. Allowing company to use the name for pre-incorporation contracts with certainty

Submit the following documents to COJ:

- The Articles of Incorporation (Form 1A or 1B)
- The Business Registration Form (BRF1) a.k.a. "Super Form"
- A valid government issued identification of the principal director and the person declaring the accuracy of the form must be presented to COJ.

The cost to Register the Company is \$24,500.00

NB. All changes must be filed with COJ. Example – change of Company Secretary, appointment of Director, change of business address/location, etc.

Summary of obligations:

- Business net profit/loss is taxed on the company.
- Annual return is due on March 15.
- Benefits from the corporate tax credit of \$375,000, if annual revenue is \$500 million or less.
- Tax rate:
 - Unregulated 25%
 - Regulated* 33⅓% [Regulated entities includes financial institutions, securities dealers, general insurance companies, utility companies and telecommunications companies. These are all regulated by Bank of Jamaica, the Financial Services Commission, the Ministry of Finance & Planning and the Office of Utilities Regulation]

Other obligations

- Have employees?
 - Deduct and pay over the PAYE, NIS, NHT & HEART on a monthly basis
 - File Employers Annual Return (S02)
- Is your total gross sales equal or greater than \$10m?
 - If yes, register for GCT, charge GCT of 10%/15%, where applicable, and file monthly return
- Each director may be required to file their S04 & S04A
- Filing requirements with the Companies Office of Jamaica such as Annual Return, any changes made within the company such as address, company secretary, director, etc.
- Guest Accommodation Room Tax: levied on occupied guest accommodations. The due date to file and pay is the last day of the following month e.g. July 2022 is due August 31, 2022.

Annex

Important Government offices and other entities

To register your company:

Companies of Office of Jamaica
1 Grenada Way
Kingston
Phone: (876) 908-4419-26
Fax: (876) 960-7152
www.orcjamaica.com
custsupport@orcjamaica.com

For Product Protection (including design):

Jamaica Intellectual Property Office
36 Trafalgar Road
Kingston 5
(876) 929-0487
(876) 960-1852
www.jipo.gov.jm

Licensing of Tourism Entities:

Tourism Product Development Co. Limited
The Tourism Centre, 4th Floor
64-70 Knutsford Boulevard, Kingston 5
Tel: 876-968-3441; 876-968-1909; 876-968-3626
Fax: 929-8269; 754-9135; 920-4854
Website: www.tpdco.org

Jamaica Tourist Board
Jamaica Room
Block G
Montego Bay Convention Center
Rosehall
Tel # (876) 979-7987/8

Other Useful Addresses

For the Taxpayer Registration Number, General Consumption Tax Registration & Tax Compliance Certificate:

Visit your local tax office. You can find the nearest local on Tax Administration Jamaica's website (www.jamaicatax.gov.jm)

For National Insurance Scheme (NIS) registration:

National Insurance Scheme
18 Ripon Rd.
Kingston 5
Phone (876) 929-7144-6

For National Housing Trust registration:

National Housing Trust
4 Park Blvd.
Kingston 5
(876) 929-6500 phone
(876) 929-6627 phone
(876) 960-9995 fax
www.nht.gov.jm
info@nht.gov.jm

Jamaica Promotions Corporation (JAMPRO)
18 Trafalgar Square
Kingston 10
(876) 978-7755
(876) 978-3337
www.jexporter.com

Scientific Research Council
PO Box 350
Old Hope Road
Kingston 6
Phone: (876) 927-1771-4/(876) 977-2190-1
Administration fax (876) 927-1990
R&D fax (876) 927-2194
head@src-jamaica.org

Bureau of Standards
6 Winchester Rd.
Kingston 10
Phone (876) 926-3140

Premium Consultancy Services Limited
Raj Mall Business Complex
6 Hellshire Main Road
Greater Portmore
St. Catherine
Phone: (876) 707-8172
Email: info@pcsjm.com
Website: www.pcsjm.com

Provides small business management support services such as business registration, bookkeeping, tax compliance services, etc.

Other useful sources of information

- Step by step guide to starting a business in tourism:
<http://www.jhta.org/index.php/events/starting-a-tourism-business>
- 8 most common small business accounting mistakes: [8 Most Common Small Business Accounting Mistakes \(pcsjm.com\)](http://www.pcsjm.com/8-most-common-small-business-accounting-mistakes)
- Contributing to an approved pension scheme:
<https://www.pcsjm.com/contributing-to-an-approved-pension-scheme>



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