

# ADVANCED GCT

## Introduction

Advanced GCT Payment was implemented on January 1, 2010. It is the additional 5% GCT payable in excess of the standard rate of 16.5% by the commercial importers on the importation of goods into the Island. Essentially, it represents a prepayment of a portion of the GCT payable on the imported goods at point of sale in the local market.

## COMMERCIAL IMPORTER

A commercial importer for the purpose of advanced GCT is a registered taxpayer who in relation to a taxable supply imports into Jamaica any goods that the Commissioner of Customs is satisfied is imported for resale or use in carrying out the taxable activity and not imported for personal use.

## IMPORTED GOODS TO WHICH ADVANCE GCT DOES **NOT** APPLY

- Petroleum Products
- Capital Goods
- Goods for which approval has been granted for the deferment of the payment of GCT
- Telephone Instruments
- Goods that are exempt
- Goods imported by a person not registered for GCT
- Imported raw food stuff
- Goods for which Custom duty relief is available under the Productive Input Relief

Advanced GCT is therefore the additional portion of GCT payable at the ports by a registered taxpayer, on taxable goods which are imported for resale. The rate of GCT that is reflected on the Import Entry (C87) in respect of the goods to which Advanced GCT applies is 21.5%. That figure comprises the Standard rate of 16.5% plus the Advanced GCT *payment* of 5%. **It must be emphasized that the 21.5 % is not a rate of tax stipulated by the GCT Legislation but rather a combination of two separate charges:**

- 1. The standard GCT rate of 16.5%; and**
- 2. A 5% advance GCT payment** of a portion of the output tax

This merging is done by the Customs Department for convenience on the Import Entry.

In light of that, the rate of GCT to be charged in the local market on goods which attract Advanced GCT is the standard rate of 16.5%. *The Advanced GCT is not to be passed on to the consumer as the GCT Legislation makes provision for its recovery as input tax when the importer files his GCT return.*

**RECOVERY OF ADVANCED GCT**

The Advanced GCT paid is to be claimed as input tax credit on the taxpayer’s (importer’s) GCT return for the period in which it was paid. Where the full amount of the credit is not utilized in any period, the taxpayer may carry forward the unused portion to a subsequent period or request a refund.

**Examples Demonstrating the Application and Effect of Advance GCT.**

*Scenario.*

*Fancy Shoes Ltd which is a wholesale distributor and a registered taxpayer imported a shipment of shoes on October 21, 2017 for resale. The value of the goods for GCT purposes at the port was \$3,000,000. Standard GCT payable @ 16.5% is \$495,000 and Advanced GCT payable is \$150,000. Total GCT paid on imports is \$645,000. The shoes were subsequently sold in the local market for \$6,000,000 plus 16.5% GCT.*

The salient points in the scenario that are used to determine that Advanced GCT is applicable are:

- The importer is a registered taxpayer, and
- The item being imported is taxable and is not on the list of items that do not attract Advanced GCT.

**Example #1 (The effect on amounts payable with Advanced GCT)**

	<b>Rate</b>	<b>Value of Goods</b>	<b>GCT as Per Transactions</b>	<b>GCT Reported on Return</b>
<b>Output Tax</b> ( <i>GCT Charged on goods sold</i> )	16.5% (Standard rate)	\$6,000,000	\$990,000	\$990,000.0
<b>Input Tax</b> ( <i>GCT paid at the ports</i> )	16.5% (Standard rate)	\$3,000,000	\$495,000.0	
	5% (Advanced GCT)	\$3,000,000	\$150,000	\$645,000.0
<b>GCT Payable on Return</b>				<b>\$345,000.0</b>

### Example #2 (The effect on amounts payable without Advanced GCT)

Now if the good imported were capital goods the following would be the outcome:

	Rate	Value of	GCT as Per	GCT Reported
		goods	transactions	on return
<b>Output Tax</b> ( <i>GCT Charged on goods sold</i> )	16.5% (Standard rate)	\$6,000,000	990,000	\$990,000.0
<b>Input Tax</b> ( <i>GCT paid at the ports</i> )	16.5% (Standard rate)	\$3,000,000	\$495,000.0	\$495,000.0
<b>GCT Payable on Return</b>				<b>\$495,000.0</b>

The computations in the tables above demonstrate that the Advance GCT paid at the ports serves to reduce the amount of tax payable by the taxpayer at the point when he files his GCT return. Therefore it is truly a prepayment of tax.

### Distinction between Uplift and Advanced GCT

The Uplift is a percentage increase in the value of goods imported by a commercial importer who is **NOT REGISTERED** for GCT. Advanced GCT on the other hand, is an additional amount of GCT payable on specified goods by a commercial importer who **IS REGISTERED** for GCT. This therefore means that no importer will suffer both.

Legislative reference: GCT Act, First Schedule PART VII – *Advanced GCT Payment*