

TECHNICAL ADVISORY

Issued By: Tax Administration Jamaica (TAJ)
Date: September 14, 2012
Advisory #: 2012/01/GCT
Technical Paper: *“GCT TREATMENT OF EQUIPMENT PREVIOUSLY ZERO-RATED”*

This Advisory outlines the recommended GCT treatment of equipment previously zero-rated.

A. BACKGROUND:

Pursuant to *“The Provisional Collection of Tax (General Consumption Tax) (No. 2) Order 2012”*, Item 3 of Group 2, Part 2 of the First Schedule to the GCT Act removed the zero-rated privilege afforded to persons who used the said equipment in agricultural activities.

B. LEGISLATIVE REFERENCES:

- General Consumption Tax (GCT) Act, unless otherwise stated;
- Main provisions, section 3, 4, First Schedule Part 2 & Regulation 23.

C. POSITION:

The following list of items are subject to GCT on importation, or when supplied by a **Registered Taxpayer**

- machetes
- triangular cutlass files
- grubbing hoes
- and farm forks

D. IMPOSITION:

GCT is imposed on the supply of goods and services, in Jamaica by a **Registered Taxpayer** in the course or furtherance of a taxable activity carried on by that taxpayer, and on the importation into Jamaica of goods and services, by reference to the value of those goods and services.

The standard rate for GCT is 16.5%¹. Other GCT rates are set out in the First Schedule to the GCT Act.

Part 2 of the First Schedule sets out taxable items or conditions which attract or cause an item be zero percent of tax.

¹ Oct 1991 to June 1993 – 10%; June 1993 to April 1995 – 12.5%; April 1995 to April 30th 2005 – 15%; May 1 2005 – Dec. 31st 2009 -16.5 % , January 1 2010 – May 31st 2012 – 17.5%

E. MAIN PROVISIONS:

First Schedule Part 2, Group 2 (Zero-rated) (now deleted)

“Machetes, 11.43 cm triangular cutlass files, grubbing hoes, farm forks (that is to say four pronged forks), which the Commissioner General of Tax Administration Jamaica (TAJ) is satisfied are purchased solely for use in agricultural activities”.

GCT Regulation:

23. (1) where, pursuant to the Act, any person is entitled to acquire a taxable supply at a zero rate of tax, the following procedures shall apply -

(a) the person shall submit a purchase order or import entry document, as the case may be, in triplicate to the Commissioner General who shall make an appropriate endorsement thereon;

(b) a copy of the purchase order shall be retained by the Commissioner General, the purchaser and, in the case of a supply purchased in Jamaica, the registered taxpayer who makes the supply:

(c) where the supply is imported, a copy of the import entry document as endorsed by the Commissioner General shall be submitted to customs.

(2) Where tax has been paid on the supply, the person may apply to the Commissioner General for a refund of the tax and the application shall be in such form as the Commissioner General may approve.

F. ANALYSIS OF THE PROVISIONS PRIOR TO JUNE 1ST 2012:

- a) Machetes, cutlass files, grubbing hoes and farm forks were subject to GCT since 1991.
- b) The specified items were subject to GCT under the following conditions –
 - a. on importation into Jamaica and
 - b. if supplied by a registered taxpayer.
- c) ***For the items to be subjected to GCT at the zero-percent, the importer or the purchaser had to satisfy the Commissioner (TAJ) that the specified items were to be used solely for use in agricultural activities.***
- d) The process to get an item zero-rated by the Commissioner General includes,
 - the purchaser or the importer submitting a purchase order or an import entry as the case maybe in triplicate.
 - Where satisfied, the Commissioner General would endorse the documents ie stamping same **ZERO-RATED**).
 - The Commissioner General retains a copy and the presenter keeps the other two copies. One copy is given to the Commissioner of Customs or the Supplier and the purchaser or importer would retain the final copy.
- e) If the process listed in (d) was not undertaken the purchaser or the importer would have to pay the relevant GCT standard rate.

G. Effect of the removal of Item 3 from Group 2 of the First Schedule: June1, 2012:

- a) Farmers and other persons who use these items in their agricultural activities are no longer entitled to *acquire* or ***import*** the specified items at a zero- rate of tax;
- b) The Commissioner General is no longer authorized to approve the acquisition or importation of any of the specified items as zero-rated.
- c) Items approved zero-rated prior to June 1st, 2012 and which have not yet been utilized², will not be able to use the zero-rated purchase order.
- d) *Suppliers should not accept any purchase order which indicates that approval was given for the item to be sold at zero percent. The purchaser should pay the tax and, if desirable, make an appeal to the Commissioner General for a refund.*

² Sept. 15, 2012