



TECHNICAL ADVISORY

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Amendments to the First & Third Schedule of GCT Act
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TAXPAYER AUDIT & ASSESSMENT

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Implication of the change in the taxability on Goods & Services which were previously subject to tax

Introduction

The General Consumption Tax Act 1991 has been amended resulting in a change in the tax status on goods which were zero-rated as at April 30th 2005 from taxable at zero percent to exempt from tax.

Legislative References

All references are to the GCT Act & Regulations, unless otherwise stated.

The following provisions should be noted:
Sections 2, 3, 18, 23, 25, 29, 32, 33, 59

Effects of the change

Taxpayers who, as of May 1, 2005, supply only items referred to in the attached schedule, are engaged in an exempt activity, as the specified goods are exempt from tax. These taxpayers will be deregistered, as they are no longer engaged in a taxable activity.

Taxpayers who are involve the supply of both taxable and exempt Items are engaged in a mixed activity. They will remain as registered taxpayers if their total

supplies are greater than \$1M per annum. There are input tax implications as a result of the change in use of the specified items.

Persons who supply only exempt items

These persons should inform the Commissioner that their tax status has changed and are no longer eligible for registration, as it should be noted that the Commissioner does not have exclusive knowledge of the taxpayers operations.

Procedure for Deregistration:

- ✓ An application should be made by the taxpayer pursuant to section 32 of the GCT Act; or
- ✓ The Commissioner may notify the taxpayer that she will cancel the registration and state the effective date. Here, the taxpayer can object to this decision made by the Commissioner;
- ✓ The Commissioner will notify the taxpayer whether or not a final audit will be conducted;
- ✓ If a final audit will not be done immediately after the closure, the taxpayer will be notified that the records of the activity should be kept for a specified period;
- ✓ A final return should be filed, including the tax which is applicable to the goods on hand at the time of deregistration;
- ✓ The Certificate of Registration must be submitted before the person can be deregistered;

The penalty for not returning the certificate of registration is \$5,000. Deregistration does not preclude the collection of tax which is owed by the taxpayer or the conduct of an audit for the taxable periods which for the deregistrant was a registered taxpayer.

Taxable Assets held prior to May 1, 2005

Section 23(1) of the Act states that a taxpayer who ceases to be a registered taxpayer, **should account for tax on any supply forming part of the assets of the taxably activity immediately before he so ceases.**

Any assets held/owned by the taxpayer, which were used in the taxable activity, including trading stock, are subject to GCT, at the applicable rate, on the value /cost incurred. This imposition is on the basis that the assets were deemed to be supplied as they are no longer part of a taxable activity of a registered taxpayer.

Section 32(1) states that a registered taxpayer who ceases to make taxable supplies is required to notify the Commissioner within twenty-one days of that fact.

Section 33(2) states that such a person should **file a final return** not later than one month from the period of deregistration

Section 25 states that goods and services listed in the Third Schedule are exempt from the payment of tax, whilst section 29 states that persons who supply items as listed in the said Schedule are exempt from registration.

Persons who are engaged in a mixed Activity

A registered taxpayer who makes both taxable and exempt supply is engaged in a mixed activity.

As a result of the movement of goods from taxable at zero percent to exempt, there will be input tax implication as it relates to claiming an allowable amount.

If the registered taxpayer makes, or intends to make, both taxable and exempt supplies, and incur input tax, which relates to both kinds of supply, he is partly exempt. Partial exemption is about working out, on a fair and reasonable basis, how much input tax he can claim as a tax credit against output tax.

Basic rules

A registered taxpayer will be allowed to claim, as a credit, tax paid on goods and services, which were incurred wholly, or mainly for the purpose of making a taxable supply. That is, the taxpayer will normally reclaim input tax that relates to taxable supplies.

The registrant cannot reclaim any of the tax paid on supplies of goods and services used or to be used exclusively in making exempt supplies or other supplies in respect of which input tax is non-deductible.

In most mixed activities there will be costs, which are used to make both taxable and exempt supplies, such as general overheads e.g. telephone, insurance and

accountancy fees. The input tax on these costs, which cannot be directly attributed, is often called non-attributable or residual input tax. The registrant will need to use a method (standard method) to apportion this residual input tax to find out how much he is entitled to claim.

See Technical Advisory – on Mixed Activity

Schedule

The following items are exempt from the payment of GCT effective May 1, 2005:

1. Animal feeds, except animal feed.
2. Planting material including cereals and seeds in their natural state: dormant flower bulbs, corms, roots and tubers, nursery stock, vegetable plants and live trees
3. Fertilizers, herbicides, fungicides, plant growth regulators, nematicides, rodenticides, veterinary preparations and mulloscides of tariff headings 3010.0 to 3105.00
4. Insecticides of tariff heading 38.08.
5. Drugs specified in the Fourth Schedule (List 4 Drugs) to the Food and Drugs Regulations, 1975
6. Diagnostic reagents used for the testing of dextrose in the blood and glucose, protein, ketones and pH in the urine
7. Contraceptive devices and substances
8. Surgical gloves, including disposable, sterile and those made of latex rubber
9. Disposable diapers for the incontinent
10. Orthopaedic appliances, surgical belts, trusses, splints and other fracture appliances, artificial limbs, eyes, teeth, and other artificial parts of the body, hearing aids, other appliances which are worn or carried or implanted in the body to compensate for any bodily defect or disability, canes and crutches designed for use by the handicapped and eye glasses and contact lenses used for the treatment or correction of a defect in

- vision on the written prescription of an eye-care professional, and parts and accessories for any of the foregoing;
11. . Invalid carriages;
 12. Medical and surgical prostheses including surgical implants and individuals afflicted with respiratory disorder;
 13. Printed matter, articles and materials, except for newspapers, classified under Tariff Heading 49.01 to 49.05 such as
 - (a). brochures, pamphlets and leaflets for religious purposes and books and booklets,
 - (b) journals and periodicals, whether or not illustrated;
 - (c) children's picture books and painting books;
 - (d) maps and hydrographic charts and similar charts of all kinds. Including atlases, wall maps and topographical plans, printed globes (terrestrial or celestial)
 14. Exercise books specified under Tariff Heading No. 4820.20 of the First Schedule to the Customs Tariff (Revision) Resolution, 1972;
 15. gold bullion, coins and bank currency imported by Bank of Jamaica;
 16. Unused postage, revenue and other stamps, postmarks and franked envelopes, letter and card imported by the Postmaster-General

17. PART 1A – Data processing machine (computer)

Goods specified hereunder in respect to the Chapters and Tariff Headings Nos. of the First Schedule to the Customs Tariff (Revision) Resolution, 1972 specified hereunder-

- 📖 84.71 – Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included.
- 📖 8473.30 – Parts and accessories of the machines of heading No. 84.71