



Technical Bulletin
 T.B (Volume 4; Issue 4, Issued 2006, December)

RE: Treatment of Funeral Expenses for General Consumption Tax (GCT) purposes.

This Advisory outlines the tax change reflected in the Provisional Collection of Tax (General Consumption Tax) (No. 2 Order) 2006 dated May 31, 2006, as it affects the Funeral Industry.

Legislative References:

- Item 3 of Part 11 of the Third Schedule of the General Consumption Act
- G C T Regulation 14 (3) and 14 (4)

Details of the provision inserted

"3. Services of a value not exceeding \$100,000 rendered by an undertaker in relation to burial or cremation including (in the case of a burial) the supply of coffins."

Effect of the change

The effect of the provision mentioned above is to render exempt from GCT the *first* (emphasis added) \$100,000 value of any service provided by an undertaker - that is GCT will only be applicable at the standard rate of 16.5% on every dollar in excess of \$100,000. See example below

Example

Total value of service supplied by an undertaker	\$150,000.
Value of service taxable (i.e. total supply \$150,000 less exempt supply \$100,000)	\$50,000
Computation	
Invoiced value of service	150,000.00
Less Exempt Supply	(-100,000.00)
Taxable amount	50,000.00
G. C. T. on taxable supply at standard rate	(50,000 X 16.5%) = 8,250.00
Total amount invoiced to client	(150,000 + 8,250) = 158,250.00

Treatment of input tax credit

The GCT Act restricts persons making exempt supplies **only** in any given period from claiming an input tax credit for the GCT paid on purchases.

In the specific instance, where an undertaker/Funeral home, makes both taxable supplies and exempt supplies, he shall be entitled to claim as a credit-

1. All of the input tax paid or payable in respect of taxable supplies or services.
2. For exempt supplies all the input tax paid or payable in respect thereof, if and only if the exempt supplies are not more than five percent of the value of the total supplies or \$100,000 whichever is less.

Where the exempt supply is more than 5% of total supply or greater than \$100,000 then the input tax **directly attributable to the exempt supply cannot be claimed.**

Where the undertaker is unable to identify the input tax paid or payable in respect of the exempt supplies he shall be entitled to claim as a credit, such proportion of the input tax that is attributable to the taxable supplies.

For further information please visit on www.jamaicatax.gov.jm website and download the following Bulletins::

1. *IROC bulletin 2005 "Mixed Activities & Tax Credit for GCT."*
2. *Technical Advisory White Paper # 3 (Volume 3; Issue 3; Issued 2003, August.) "The Funeral Industry & GCT"*
3. *IROC Bulletin 2005: Regulation 14 - Amendments*

DISCLAIMER:

This Advisory is a guide only and is not a substitute for the General Consumption Tax Act or any other relevant Legislation.