



Technical Advisory Volume 2; Issue 3; May 2005

Re: Amendments to the General Consumption Tax Act (GCT) & Regulations (1991)

Introduction:

As a result of the recommendations made by the Tax Review Committee a number of changes have been made to the GCT Act and Regulations. The aims of the changes are to:

- a) simplify the administration of the Act;
- b) reduce the amount of items which were previously zero rated¹.

Further, the amendments were intended to improve the administration and application of the Act and make the Act more workable. However, the amendments give rise to complexity in the Act.

Date of implementation

The amendments take effect **May 1, 2005**

¹ Zero-rated for the period May 2003 to April 30 2005

Key Features

A. The registration threshold:

- I. The threshold, for a person to be registered as a registered taxpayer, has been increased from **\$300,000** to **\$1,000,000**.²
- II. Taxpayers, who fall below the threshold, as a result of the change, *may* apply to change their registration status from a registered taxpayer to registered person.
- III. The provision in the Regulations, which allows taxpayers whose total supplies did not exceed \$1M, to account for tax on the payment basis has been deleted.
- IV. Also, the provision in the Regulation relating to taxpayers whose gross supplies did not exceed \$500,000 and who were required to account for tax using a simplified accounting method has been deleted.
- V. All taxpayers remaining as registered taxpayers, and those registered after *May 1, 2005*, will be allowed to file monthly GCT returns.
 - i. All taxpayers who currently file bi-monthly returns will be notified of the change in their accounting periods by *December 2005*.

B. Rates of tax and tax credits"

- I. The standard rate of GCT has been increased from 15% to 16.5%.
- II. Construction materials which previously attracted 12.5% GCT will now be taxed at 16.5%.
- III. Tax credits allowed on the purchase of motor vehicles have been changed as a result of the rate increase. The allowable amounts of 6.5% and 13% have been increased to 7% and 14% respectively.

² The change in threshold figure to \$300,000, was effective December 18,2004.

C. Transfer of Items from Taxable to exempt from tax

- I. Items which were zero rated (taxed at 0%) are now exempt from tax.
- II. Computers, parts and accessories which were taxed at 15% are now exempt.
- III. Only parts and accessories of tariff heading 8473.30 are exempt.
- IV. Computer applications and software are still subject to tax.

D. Taxable items made exempt if purchased by certain persons or for certain use

The changes also bring about additional complexity in the administration of the Act.

If taxable goods or services are purchased by certain persons or for a particular use, the tax status of these items will change from taxable to exempt. See appendix 1.

E. Goods acquired through the Modernization Programme

Goods purchase through this programme will no longer be eligible for zero-rated status. The implication of this amendment is that **any taxable goods** purchased through this scheme will attract tax at the applicable rate

Appendix 1:

The following are listed in Part 1 of the Third Schedule – *Goods exempt from the payment of tax:*

1. Machetes, 11.43 cm triangular cutlass files, grubbing hoes, farm forks (that is to say four pronged forks), which the Commissioner of Inland Revenue is satisfied are purchased solely for use in agricultural activities.
2. Fishing apparatus, gear, boats, engines, (but not including outboards motors exceeding a maximum of 75 hp), equipment

- and parts therefore which the Commissioner of Inland Revenue is satisfied is imported or purchased by or on behalf of or taken out of bond by commercial fishermen solely for use by them in the capture of fish for sale.
3. Stationery and educational apparatus and equipment (including those used for games and physical training) which are for use by any educational institution approved by the Minister of Education and which are intended solely for educational purposes as certified by the responsible officer of such educational institution;
 4. Stationery (including writing paper), printed forms, envelopes and blotting paper for use in an examination which are purchased in Jamaica or imported therein by or on behalf of the Cambridge Local Examination Committee, the Caribbean Examination Council or any other examination body recognized by the Minister of Education for which there is a certificate signed by the Secretary of the respective body verifying the use for which the stationery, forms, envelopes and paper are intended.
 5. Goods (excluding motor vehicles, other than school buses mentioned in Item 2 (b), alcoholic beverages, motor spirit, kerosene and diesel oils and goods purchased for fund raising events) purchased -
 - (a) by an educational institution approved by the Minister of Education for its own use and so certified by the head of that educational institution; and
 - (b) from funds, the expenditure of which the educational institution is accountable.
 6. Sports equipment (including clothing) for use in an educational institution approved by the Ministry of Education solely for its own educational purposes as certified by the responsible officer

- of such educational institution; or for use by a sporting organization approved by the Minister responsible for sport.
7. Goods (except motor vehicles) acquired by or on behalf of the Boy Scouts or Girl Guide Associations of Jamaica or any other youth organization or association approved by the Minister which the Commissioner of Inland Revenue is satisfied are necessary for the rendering of their services.
 8. Goods of a non-consumable nature which the head of a denomination for which the goods are assigned declares in writing will be used only for the purpose intended and which the Commissioner of Inland Revenue is satisfied are purchased or imported solely for furnishing or decorating a place of worship or as vestments for use during public worship.
 9. Altar bread, matzos unleavened bread, communion waters and alter wine purchased or imported for the purpose of administering the sacraments which the head of the denomination for which they are intended declares in writing will be used only for the purposes intended.
 10. Candles, myrrh and frankincense which the Commissioner of Inland Revenue is satisfied are purchased or imported solely for use in places of divine worship.
 11. Offertory envelopes purchased or imported by or on behalf a religious denomination.

DISCLAIMER:

This Advisory is only a guide and is not a substitute for the GCT Act and other relevant Legislation.