



## TECHNICAL ADVISORY (Volume 1, Issue 4; September 2005)

### RE: Treatment of Gym Equipment bought by Companies

#### 1. Background:

The issue was brought to our attention for discussion and ruling by an article in the Daily Gleaner of June 21, 2005 headlined:

*"More corporate organizations are investing in setting up their own gymnasiums for their employees."*

#### 2. Issue:

The issue to be determined is whether or not the organization, as described in the article as "*corporate organizations*" are entitled to claim a tax credit for GCT paid on the acquisition of the specified equipment.

#### 3. Legislative References:

References are to the GCT Act unless otherwise stated.

- Sections 2, 3 & 4
- Regulation 14

#### 4. Analysis of the provision

1. GCT is chargeable on goods and services supplied by a registered taxpayer in the *course or furtherance of his taxable activity* or on the importation of goods and services into Jamaica by any person; unless the goods and services are exempt from the payment of tax.

2. A Registered Taxpayer who purchases goods and services for use in his taxable activity *may* claim a tax credit for tax charged on the said supply.
3. Input Tax Credits are only allowed if the tax was incurred *in respect of goods/services required for the purpose of making taxable supply.*
4. The Act defines an input tax credit to mean "*tax charged under section 3 (1) on the supply of goods and services made to that taxpayer or on the importation into Jamaica of goods and services by that taxpayer being goods and services required wholly or mainly for the purpose of making taxable supplies; ...*"
5. The Act implies that there should be a *nexus or a direct relationship between the supply purchased and the supply being made by the taxpayer.*
6. The goods should be *required*<sup>1</sup> by the taxpayer to be used in the making of a taxable supply.
7. As there is no direct connection, *no nexus* between the equipment and the taxable supply being made by the taxpayer, the tax so paid is not allowable as an input tax credit for GCT purposes.

## 5. Ruling

For GCT purposes, Corporate Organizations are not entitled to claim a tax credit on the purchase of the specified equipment.<sup>2</sup>

### DISCLAIMER:

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

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<sup>1</sup> See J.Wray & Nephew vs. Commissioner of GCT. See also the case of Real Resort vs. Commissioner of GCT

<sup>2</sup> For additional information on the meaning of tax credit vs. input tax credit see Advisory of 2004 entitled **Tax Credit (Interpretation of Regulation 14(3) (b)**