



TECHNICAL ADVISORY Volume 1; Issue 7; 2004 January.

Re: TRANSPORTATION OF GOODS

1. Issue:

Is the transportation of goods subject to GCT?

All legislative references made are in reference to the GCT Act & Regulations.

2. Decision:

1. The transportation of goods within Jamaica is subject to GCT.
2. The transportation of goods into or out of Jamaica is also subject to GCT.
3. However the transportation of goods out of Jamaica is zero-rated.
4. Services directly related to the exportation of goods are zero-rated. This includes goods transported to the place of exportation.
5. The transportation of goods within a port or international airport is exempt from tax if the transportation is linked to the importation or exportation of goods.

Persons who are engaged in the transportation of goods, with the exception of note **2.5** above, are required to be registered for GCT, as they are engaged in a taxable activity.

3. History:

Prior to May 1, 2003 the transportation of goods within Jamaica was exempt from tax. The transportation of goods into or out of Jamaica was zero-rated.

Effective May 1, 2003 the GCT Act was amended giving the effect stated in note 2, item 1.

Group 10 Part 2 of the First Schedule to the Act was deleted, thereby removing the transportation of goods into or out of Jamaica.

Item 2, Part 2 of the Third Schedule was amended by removing "*transportation of goods within Jamaica ...*" which now reads "*the transportation of people within Jamaica*".

4. To whom the Advisory is applicable?

- ✓ Haulage contractors
- ✓ Courier operators
- ✓ Private contractors who deliver mail including independent bearers
- ✓ Air craft carriers
- ✓ Shipping operators/agents
- ✓ Persons who supply goods and charge delivery fee
- ✓ Freight providers
- ✓ Forklift or crane operators who are independent operators
- ✓ Providers of Wrecking service

5. Definition:

Freight means the transportation of goods.

Transportation of goods means the movement of goods from one location to another.

Goods mean all kinds of property other than real property, money, securities or choses in action.

Service means the supply, other than the sale of real property, of anything for a consideration, which is not a supply of goods.

6. Transportation of goods within Jamaica:

This involves the movement of goods:

- ✓ from one location to another within the Island;
- ✓ into or out of a free zone;
- ✓ into or out of a port or international airport;
- ✓ which are freight or airlift even if part of the journey takes place outside of the territorial air space or waters.

7. Transportation of goods within a port or international airport:

The Act exempts from tax services rendered at port or international airport. This includes the movement of goods, within the specified locations, which are being imported or exported.

It does not include goods being transported into or out of the specified locations.

The transportation or movement of goods which are being used in the construction of, or repair to, any building or structure and which is being done during the construction or repair period is subject to tax, as at this point the service is not in connection with the importation or exportation of goods.

8. Transportation of goods into Jamaica:

A person resident in Jamaica and who is contracted to import goods into the Island is engaged in a taxable activity.

The transporter, being a registered taxpayer, has to charge tax on the value of the service of transporting such goods.

Airline operators, if resident in Jamaica, should charge tax on the value of airlifting goods into the island.

If the transporter is not resident in Jamaica, the operation is outside the scope of the Act. However, the importer is liable to tax as the importation of such service is subject to tax.

9. Transportation of goods outside of the Island:

Services directly related to the exportation of goods are zero-rated, that is taxable at zero percent.

The transportation of goods outside of the Island is directly related to the exportation of goods.

However, the transportation of goods into a free zone is not regarded as services related to the exportation of goods, as the transportation is being made in the Island.

10. Transportation of goods on behalf of a Bauxite company:

The transportation of goods, other than bauxite ore is subject to tax at the standard rate.

The transportation of bauxite and alumina out of Jamaica, and the transportation to the place of exportation are zero-rated.

The transportation of the ore within the production environs is zero-rated as the service being rendered is directly related to the production of bauxite or alumina.

11. Transportation of goods on behalf of the Government of Jamaica:

The provision of such service is zero-rated when provided to

- (a) A Ministry or department of Government;
- (b) A statutory body or authority with the exception of those entities listed in Paragraph 2 of the First Schedule Part 11, Group 6 of the GCT Act.
- (d) Any Parish Council;
- (e) The Kingston and St. Andrew Corporation.

12. Services rendered to Diplomats and related agencies:

The transportation of goods on behalf of:

- (a) heads of missions and international organizations;
- (b) Non-Jamaican citizens who are members of the staff of a mission or an international organization other than members of the service staff;
- (c) Non-Jamaican citizens who are trade commissioners and members of the staff of a trade commission other than service staff;
- (d) Consular officers who are natives or citizens of the countries they represent and who are not engaged in any other business or profession in Jamaica are zero-rated.

13. Zero-rating procedures:

Persons who entitled to purchase goods and services at zero percent of tax must adhere to Regulation 23.

Persons who are engaged in the transportation of goods and who were as at May 1, 2003, were not registered, have twenty-one days within which to do so.

A GCT application form should be completed and submitted to any of the Inland Revenue Department or the Taxpayer Registration Center.

A person will be registered as a registered taxpayer, if within the last twelve months the average monthly supplies was greater the \$25,000.

14. Obligations of a Registered Taxpayer:

These include:

- Issuing tax invoices as required under the GCT Act and Regulations (*GCT Act - Section 22*);

- Collecting the appropriate tax in respect of the goods and services which he supplies;
- Keeping proper books and records and producing them, if required by an authorized person (*GCT Act Section 36*);
- Making regular returns on the prescribed form whether or not he makes a taxable supply during the tax period (*GCT Act Section 33*);
- Paying the amount of tax payable in respect of the taxable period to which the return relates (*GCT Act Section 20*);
- Advising the Commissioner in writing of a request to cancel registration, or of a change of status, or ownership of the business or business address (*GCT Act Section 23 & 32*); and
- Upon ceasing a taxable operation, filing a final return for the last taxable period (*GCT Act Section 33*).

Note: All liabilities and obligations incurred while being a Registered Taxpayer are not affected by ceasing to be registered.

15. Accounting for Tax:

A Registered Taxpayer is liable to account for GCT on taxable supplies he makes within Jamaica on goods and services. To ensure that GCT is correctly charged, the Registered Taxpayer must be aware of the following:

- what is a taxable supply;*
- the place of supply;*
- the time a supply is considered to take place;*
- the value of a supply on which GCT is to be calculated;*
- the rate of GCT to be applied on each supply; and*
 - GCT on imported goods and supply*

A registered taxpayer should charge tax on the value of the supply, the amount being charged to transport goods.

He must account for the tax within the specified period.

He is entitled to claim a credit for tax paid on goods and services acquired by him for use in his business.

