



Technical Advisory

(Issued 2005, December 15, 2005)

RE: Amendment to the G.C.T Act as it relates Tourism Sector effective October 1, 2005 (2)

This Advisory outlines the tax changes announced by the Minister of Finance in his Budget presentation on April 2005 as it affects the Tourism Sector, and includes the amendments agreed on by the Ministry of Finance as per Ministry of Finance letter of November 24, 2005 Ref. No. 108/144.

Legislative Reference(s):

GCT Act (1991):
Regulation 8(9)
Regulation 12
Regulation 14(5)

NB. A new provision will be inserted into the First Schedule to the General Consumption Tax Act as **Part 5** which will set out the applicable rate.

Key Changes:

Rate of GCT:

1. The rate of GCT for the Tourism Sector is **8.25%** which is 50% of the (current) standard rate of GCT.

Amendment:

"Bookings made prior to October 1, 2005 but for which the service was provided after October 1, 2005 *will be taxed at the new GCT rate of 8.25%*. The GCT law currently states that the tax is applicable when the service is provided."
(Emphasis provided).

Treatment of Tax Invoices:

2. Tax Invoices are **no longer tax inclusive**: the GCT must be shown.

Amendment:

- All invoices made to Registered Taxpayers must now show the tax. Small hotels will be allowed additional time to alter their records accordingly, but this must be done before March 21, 2006.

Changes in the Regulations:

3. **Regulation 8(9)** has been deleted and therefore all tax invoices must show the amount of tax charged.
4. **Regulation 12**, which sets out the Tourism Formula, has been deleted.
5. **Regulation 14(5) (d)**, Special Alcoholic Beverages Credit (SABC) has been deleted.
6. **Regulation 14 (2) (b)**, Special Tax Credit has been removed.
7. **Regulation 14(5)** will be amended to provide for the following:
 - a. All the GCT paid (input tax) by the registered taxpayer within the sector in relation to making the taxable supply is allowable as a credit.
 - b. All other Registered taxpayers purchasing services from the sector on which the GCT is paid will be allowed (50%) of the tax as input credit.

Taxable Value for Tourism Revenue.

8. The definition of **Non - Tourism Revenue (NTR)**, as defined and described under the GCT Act remains.
- 9.

Amendment:

- Non - Tourism Revenue remains as defined in the GCT Act.

Amendment:

- Tourism Revenue will be defined as *“revenue from activities carried on at properties licensed by the Jamaica Tourist Board and from which guests derive a benefit.”*
10. The taxable value of the **Tourism Revenue (TR)** excludes Commissions and Gratuity.

Amendment:

- Non - Tourism Revenue remains as defined in the GCT Act.
11. **Transportation** is no longer allowed as a deduction before the calculation of the tax.

Amendment:

- *“Treatment of the transportation of guest will revert to that which previously existed prior to October 1, 2005. Specifically, transportation of guests will be an allowable deduction before GCT becomes applicable. This also includes the period October 1, 2005 to November 14, 2005 when the new policy came into effect.” (Emphasis provided)*
12. **Commissions** will not be capped at this time as was announced.

Amendment:

- The matter of Commissions will revert to that which previously existed prior to October 1, 2005, until there is a resolution to the difficulties associated with it.
13. **Gratuities** also will not be capped as announced.

Treatment of GCT Returns:

14. Total supplies which are to be shown in **Box 6** on the return form should include both Tourism Revenue and Non-tourism Revenue and must not include the tax.

15. Tourism Revenue may also include zero rated supplies (e.g. supplies made to Department of Government or to Diplomatic and International Organizations) and should be shown in **Boxes 9 and 10**.
16. Gross Tourism Revenue is to be shown in **Section C, Box 01** and should include Commissions and Gratuity.

NB:

This Advisory supersedes and must be read in conjunction with the **Technical Advisory of September 2005** (Volume 1; Issue 5; Issued 2005, September 2005) entitled **RE: Amendment to the G.C.T Act as it relates Tourism Sector effective October 1, 2005.**

Unless specifically stated in this Advisory, all other issues as related to the Tourism Sector remain the same.

Disclaimer:

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