



TECHNICAL ADVISORY
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Amendment to the GCT Threshold

Effective May 1, 2005 the GCT threshold increased from \$ 300,000 to \$1,000.000 per annum.

Threshold:

Although the GCT Act does not specifically define "*threshold*" it is the minimum gross sales required of any person engaged in a taxable activity (including the supply of exempt supplies), to qualify to be registered as a **registered taxpayer**. As at May 1, 2005 the threshold value is **\$1,000,000** per annum or an average of **\$83,333** per month.

Who is required to register?

All persons engaged in a taxable activity are required to apply for registration under the GCT Act.

What is a Taxable Activity?

The GCT Act defines a taxable activity is any activity carried on in the "*form of a business, trade, profession, vocation, association or club, which is carried on continuously or regularly by any person whether or not for a pecuniary profit, and involves, or is intended to involve, the sale/supply of goods and services in Jamaica, to any other person for a consideration*".

NOTE: For GCT purposes it is not the business activity, which is registered, but the **person** who conducts it. The registration covers all the business activities of that person.

Who is a Registered Taxpayer?

A person, whose gross value of supplies in the month of application and the eleven months immediately preceding the making of the application is not less than \$1,000,000 or whose average monthly value of supplies in respect of a period less than 12 months, is not less than \$83,333, will be registered as a Registered Taxpayer.

Who is a Registered Person?

A person, whose gross value of supplies in the month of application and the eleven months immediately preceding the making of the application is less than \$1,000,000 or whose average monthly value of supplies in respect of a period of less than 12 months, is less than \$83,333 will be registered as a Registered Person.

Status of Registered Taxpayers whose total supplies are less than \$1M as at April 30, 2005

Persons who are currently registered as registered taxpayers and whose gross supplies are less than \$1,000,000 for the twelve month period ending *April 30th 2005*, may apply for deregistration.

Please note the following:

- 1) Any goods forming part of the assets on hand at the time of deregistration, are deemed to be supplied.
- 2) GCT is due and payable on value of those goods held at the time immediately before deregistration.
- 3) The taxable value shall be the cost incurred in purchasing those goods.

NB: The increase in the GCT threshold does not apply to taxpayers who are involved in the manufacturing of prescribed goods as there is

no threshold involved in determining registration status for prescribed goods.

Effect of deregistration of a Registered Taxpayer:

For the purpose of this Advisory, "*deregistration*", means a change of status from a registered taxpayer to a registered person.

When the process is completed a business person should no longer:

- Issue a tax invoice;
- Charge and collect tax;
- File GCT returns;
- Display a GCT certificate of Registration

Additionally,

- the deregistrant will not be able to claim a tax credit or refund of GCT paid on goods and services purchased for his business and
- The tax paid will have to be treated as part of his business cost and be included as part of the cost of goods or services.

Note however, if the deregistrant subsequently qualifies to be registered as a registered taxpayer, that is the gross annual supplies exceed \$1 M, he should notify the Commissioner within twenty one days of the date on which he becomes so qualified.

Procedure for Deregistration (change of status from registered taxpayer to registered person):

- a) An application should be made by the taxpayer pursuant to Section 32 of the GCT Act;
- b) A final return should be filed, including the tax which is applicable to the goods on hand at the time of deregistration;
- c) The Certificate of Registration must be submitted before the person can be deregistered; or

- d) The Commissioner may notify the taxpayer that she will cancel the registration and state the effective date. NB: the taxpayer may object to the Commissioner's decision to deregisters him/her;
- e) The Commissioner will notify the taxpayer whether or not a final audit will be conducted;
- f) If a final audit will not be done immediately after the closure, the taxpayer will be notified that the records of the activity should be kept for a specified period; and
- g) On the completion of the deregistration process a **Notice of Registration** will be issued by the Taxpayer Audit & Assessment Department (TAAD).

NB:

- a) **The penalty for not returning the Certificate of Registration is \$5,000.**
- b) Deregistration **does not** preclude the collection of tax which is owed by the taxpayer neither does it mean that audits will not be conducted for the periods during which the deregistrant was a registered taxpayer.

DISCLAIMER:

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