



Interpretations, Rulings & Opinions Committee Paper
IROC 2003

Re: Cess on Imports

As a result of the introduction of Cess on imports, please see the following directives for your guidance, as well as operational aspects, for the treatment of Cess.

1. Cess is four percent (4%) on all imports. The Cess is computed by Customs on cost, insurance and freight (CIF) as defined by section 19 of the Custom Duty Act.

The effective date is May 1, 2003.

2. The Cess imposed shall not apply to goods imported by :-
 - (a) A Ministry or Department of Government;
 - (b) the Kingston and St. Andrew Corporation and any Parish Council;
 - (c) heads of missions and international organizations;
 - (d) Non-Jamaican citizens who are members of the staff of a mission or an international organization other than members of the service staff;
 - (e) Non-Jamaican citizens who are trade commissioners and members of the staff of a trade commission other than members of the service staff;
 - (f) 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.

- (g) such categories of persons as are specified in an Order made by the Minister responsible for foreign affairs.
3. (I) All Cess paid on goods imported by that person for business purposes is allowable against his Income Tax liability for the year of assessment in which it was paid. However, if the person fails to file a return by the 31st day of December following the year of assessment, then this tax credit is not applicable.

e.g. 2003 year of assessment is due 15th March 2004 and Cess of \$25,000 is paid during year of assessment 2003. Taxpayer must file return for year of assessment 2003 by 31st December 2004 in order to use the Cess paid as a tax credit against his year of assessment 2003 liability.

II. Cess paid in current year of assessment may be set off against estimated tax installments for that year.

N.B. In the event where a person who was not able to utilize the Cess for that **year of assessment**, because the Cess was greater than the tax liability and is subsequently audited and assessed for additional tax, that person would be able to claim the Cess paid for that year, which was not utilized, against any such additional assessment.

If persons set off the Cess against their estimated tax payment and do not file a return by **31st December** the following year, then the Cess cannot be utilized against the income tax liability for that year or any other year and therefore, liable to account for the tax.

Operational Aspects

(1) Cess amounts which cannot be used as tax credit ***shall not be***:

- a) Allowed as an expense or capitalized for capital allowance purpose;
- (b) Refundable;
- (c) Allowable in respect of any succeeding year;

(d) Allowable as a credit against any unpaid Income Tax from previous years.

(II)

a) **ITO1** to **ITO4** will be amended to facilitate the claiming of Cess paid as a credit separate and apart from other credit.

(b) In preparing the **Declaration of Estimated Income Tax**, estimated Cess credit shall not be taken into consideration in arriving at estimated net tax payable.

(c) **ITO7** will not be amended with the exception of the quarterly payment vouchers, which will accommodate the set off of the Cess actually paid for each quarter.

e.g. Estimated Tax declared for 2003 150,000

| <u>Year of Assessment 2003</u> | <u>Final Return</u> |
|---|---------------------|
| Statutory Income (Income Liabile to tax) | <u>600,000</u> |
| *Tax 33 1/3% (company) on \$600,000 | 200,000 |
| Less: Cess paid | 80,000 |
| Tax paid in cash | |
| (Estimated tax \$150,000-Cess \$80,000) | <u>70,000</u> |
| Balance Tax payable | <u>\$50,000</u> |

N.B

- a) Where the business entity is a sole tradership, the tax rate would be 25%.
- b) The same calculation would be applicable in respect of estimated tax payments and the Cess.
- c) Where the actual Cess paid is equal to or greater than estimated tax due to date, persons do not have to submit estimated tax payment vouchers as ICTAS will be updated daily with customs Cess data from the custom database. Therefore, these will be excluded from the compliance action list.

Declaration of Estimated Income Tax Year of Assessment 2004

| | |
|--|-------------------------|
| Statutory Income for preceding year 2003 | <u>\$600,000</u> |
| Income Tax thereon | \$200,000 |
| Estimated Tax per quarter | \$50,000 |

However, cess paid for each quarter may be set off from quarterly tax.

| Estimated Declaration for YA 2004 | | | | | | |
|--|-----------------------------|-------------------------|----------------------------------|--------------------------------|--------------------------|--------------------------|
| Quarters | Quarterly Obligation | Cess Paid | Balance of Cess available | Cess From Previous qtrs | Balance Payable | Tax Paid |
| 1st qtr | 50,000.00 | 0 | 0 | | 50,000.00 | 50,000.00 |
| 2nd qtr | 50,000.00 | 80,000.00 | 30,000.00 | | 0 | 0 |
| 3rd qtr | 50,000.00 | 0 | 0 | 30,000.00 | 20,000.00 | 20,000.00 |
| 4th qtr | <u>50,000.00</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>50,000.00</u> | <u>50,000.00</u> |
| | <u>200,000.00</u> | <u>80,000.00</u> | = | = | <u>120,000.00</u> | <u>120,000.00</u> |
| | | <u>0</u> | | | | |

