



Technical Advisory  
Volume 1; Issue 4; Issued 2004, January

## **Re: Rental of Commercial Properties**

### **Issue**

This Advisory relates to registered taxpayers who rent/lease commercial properties and how they should account for tax.

### **Legislative references**

This advisory is in relation to the GCT Act 1991, unless otherwise stated.

### **General**

Persons who are engaged in the renting or leasing of property for commercial purposes are engaged in a taxable activity.

Effective January 1, 2004 a registered taxpayer (registrant), who is engaged in the specified activity may account for GCT on the payment basis.

### **Authority**

No. 26/2003 – An Act to amend the General Consumption Tax Act

### **Accounting for tax on the Payment basis**

The registrant will account for tax for a taxable period when he:-

1. receives a **payment** for a taxable supply made by him;
2. Makes a **payment** for a taxable supply made to him.

3. If a part payment is received or made, as the case maybe, that amount shall deem to include such portion of the tax charged. The payment must relate to taxable supplies on which tax was charged.

## Return

The return is due no later than fifteen (15) days after the end of the taxable period.

## Procedure

- 1) The registrant must make an application to the Commissioner pursuant to Regulation 10(2).
- 2) The registrant will not be allowed to account for tax using the payment basis without prior approval from the Commissioner.
- 3) If the application is approved by the Commissioner, the Commissioner will indicate the taxable period for which the registrant may start to account for tax.
- 4) The registrant will make the necessary adjustment in his record, and is required to inform the Commissioner of tax already accounted for to the Commissioner of Inland Revenue, for which he has not been paid by his customers/clients or he has not paid his supplier. This is to avoid the double counting of tax or omission of tax as the case may be.
- 5) Full disclosure, of the all activities engaged in, must be made by the registrant to the Commissioner at the time of making the application.
- 6) The Commissioner may not approve an application if the registrant is engage in multiple activities. The approval will depend on the level of rental activity to the total activities.
- 7) Persons who are engaged in multiple activities can apply to account for tax using the payment method for rental activity on a separate return if



that activity can stand on its own. That is, keep separate books and records, and have some level of **independency**. If approval is granted, the taxpayer will account for tax using the same TRN with a branch code. The branch code is assigned by the Commissioner.

- 8) Notwithstanding the immediate statement, taxpayers who are engaged in multiple activities can apply to the Commissioner to account for tax on a single return. The taxpayer should submit reasons for this approach.