



White Paper Volume 1, Issue 1

TECHNICAL ADVISORY

RE: “Deferment/ Waiver of GCT payments on packaging Materials”

July 2, 2002

Prior to the new tax measures announced by the Minister of Finance, Manufacturers and producers of agricultural produce were able to acquire their **“Coverings and Containers”** Group 14, without the GCT, on the presentation of a zero-rated purchase order or import entry. See GCT Act 1991, *First Schedule Part 2 Group 14*.

Effective May 1, 2003, the zero-rating provision applicable to **“Coverings and Containers”** purchased by manufacturers was removed from the GCT Act. As a consequence, manufacturers and producers of agricultural produce will pay the GCT of 15% when purchasing these goods.

The PSOJ and JMA made representation to the Honorable Minister of Finance & Planning on the implications of the Amendment. After careful consideration the Minister, has decided to defer/waive the payment of tax on the importation/purchasing of packaging material, by manufacturers. (See Sections 42 & 47 of the GCT Act).

Following is a description of the operation of the “Deferment/Waiver Scheme for packaging materials”.

1. WHAT IS THE DEFERMENT SCHEME?

For taxation purposes, to **“defer”** means to put off the payment tax until the GCT return becomes due. The **“Deferment Scheme”** is a special facility concession, provided for in Law, which allows manufacturers to import or purchase “raw materials, consumables, intermediary goods or spare parts”

The question often asked is how does one account for this tax which is being “deferred”?

The concept of deferral is allow persons who are in possession of Deferral Certificates to purchase/import specified goods without the payment of the GCT. The GCT Return Form requires that the sums ‘deferred’ to be duly recorded in Box 17.

Folowing are the relevant The following sections of the GCT Act.

[Section 42:](#)

“(2) Where a registered taxpayer whose taxable activity is manufacturing, imports a taxable supply to be used in that taxable activity as raw materials, consumables, intermediate goods or spare parts, the Commissioner of Taxpayer Audit & Assessment Department may, on application being made to him, defer payment of tax to the time when the registered taxpayer is required to furnish a GCT return and make payment pursuant to this Act.

(3) Where the Commissioner of Taxpayer Audit & Assessment defers the payment of tax under subsection (1) or (2) he may require the registered taxpayer to deposit with him security in such form and amount and upon such terms as the Commissioner may determine.

(4) In subsection (2)-

"consumables" means materials (excluding lubricating oils or fuel for use in internal combustion engines) and articles consumed or expended by manufacturers or producers directly in the process of manufacture or production including the development of prototypes;

"intermediate goods" means goods which have been transformed from their natural state by being worked or processed but which have to undergo further working or be incorporated in an assembly process or combined with some other goods or material to become finished products;

"raw materials" means natural or primary goods which have not been worked or processed but the preservation of which is ensured during transportation or storage so that the original characteristics are unaltered or remain substantially unaltered.”

It is important to note that the Deferment Scheme and the special deferment/waiver for Packaging materials are both in force.

[OR THE DEFERMENT /WAIVER?](#)

- ⌚ Registered taxpayers who manufacture taxable goods.
- ⌚ A special waiver has been granted to persons who are not registered taxpayers and who manufacture exempt goods.

It is important to recognize the packaging material(s) must be acquired for the sole purpose of packaging goods manufactured by the manufacturer whose name appears on the Deferment Certificate.

[3. HOW IS THE SCHEME ACCESSED?](#)

A **written application** should be made to the Commissioner of Taxpayer Audit & Assessment Department at the Head Office 2 Oxford Road , or at the Revenue Centers as follows indicating the following:

- ⌚ TRN;
- ⌚ Name and address of business;
- ⌚ Address of manufacturing operation, if different from above;
- ⌚ Goods being manufactured;
- ⌚ **Packaging required. (Detailed nature of packaging material)**

[4. BASES ON WHICH DEFERMENT/WAIVER IS GRANTED](#)

- ⌚ The Commissioner must be satisfied that the applicant is a manufacturer;
- ⌚ The applicant, at the time of application, is tax compliant.

[5. HOW DOES THE DEFERMENT SCHEME WORK?](#)

After the application is received the following occurs:

- ⌚ Verification of applicant status (is the person tax compliant – i.e. in possession of a valid Tax Compliance Certificate (TCC) - & a bonafide manufacturer? If not possession of a TCC, then one must be presented).
- ⌚ Issue Deferment/Waiver Certificate

the importation of packaging materials without
so the purchasing of the specified goods from

local suppliers.

- ⌚ The holder of the certificate should present the certificate to the Commissioner of Customs, or to the supplier of packaging material. (Once presented, it is permissible for the Supplier to take a copy of the original. It is not permissible for the manufacturer to present a copy of the Certificate to the Supplier.
- ⌚ **Local suppliers must issue a tax invoices.** The supplier must compute the tax computed and indicate the amount being deferred/ waived, on the tax invoice.
- ⌚ The purchaser/importer (Registered Taxpayer) must indicate on the GCT return, (Box 17) the amount of tax computed on the Custom Entry and the amount deferred.
- ⌚ **For the purpose of filing GCT returns, the local supplier will treat the value of the supply, which is deferred/ waived as zero-rated.**
- ⌚ Manufacturers ***who are not registered taxpayers***, should submit quarterly statements to the Taxpayer Audit & Assessment Department indicating:
 - The source of the goods;
 - The date of purchase or importation;
 - Value of goods;
 - Amount of tax computed and the amount deferred.

6. THE DEFERMENT/WAIVER IS **NOT** APPLICABLE TO THE FOLLOWING:

- ⌚ Persons who are engage in repackaging i.e. persons who purchased goods in bulk and package for resale.
- ⌚ Restaurants;
- ⌚ Hotels;
- ⌚ The retreading of tyres;
- ⌚ The generation of electricity
- ⌚ The production of process water, other than bottled water;
- ⌚ The assembling or rebuilding of motor vehicles;
- ⌚ The dyeing, printing and finishing of fabrics;
- ⌚ Printing
- ⌚ Producers of Agricultural goods

DEFERMENT/WAIVER

The following are grounds for revocation:

- ⌚ Not tax compliant
- ⌚ Not filing returns on time
- ⌚ Not pay tax due
- ⌚ Not issue tax invoices
- ⌚ Not keeping proper books & records

NB: Persons with these Certificates who have been granted Deferment ought not to purchase or import packaging materials under this Scheme, as this will be considered a fraudulent transaction in respect of which action will be taken in the Tax Courts.

Taxpayer Audit & Assessment Department July 9, 2003 “Deferment/Waiver of GCT on packaging”