

AL ADVISORY

TAXPAYER AUDIT AND ASSESSMENT DEPARTMENT

INTERPRETATIONS, RULINGS & OPINIONS COMMITTEE (IROC)
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EXPENSES INCURRED IN RELATION TO MOTOR VEHICLES (TRUCKS)

This ruling applies to the treatment of tax paid in relation to expenses incurred for motor vehicle (truck).

Background

Some officers, in applying Regulation 14(5)(a)(iii), were restricting GCT paid, on truck parts, to 50%. Reason given is that, truck is classified as a motor vehicle pursuant to section 11 (1)(c) of the Road Traffic Act.

Also, some Officers are disallowing tax claimed by the taxpayer stating that the truck is being used to carry goods.

Legislation

All references are to the General Consumption Tax Act, 1991 unless otherwise stated.

This Ruling applies to:

- Regulation 14(5)(a)(iii)

Supporting sections:

- Regulation 14(3)
- Regulation 14(4)
- Third Schedule Part 2
- Road Traffic Act § sect.11 (1)(c)

Ruling

1. Section 11(1)(c) of the Road traffic Act speaks **only to motor cars**.
2. a tax credit of 50% of tax paid in relation to motor cars and SUV is allowed pursuant to Regulation 14(5)(a)(iii).
3. If the truck is being used in a pure taxable activity, the taxpayer is entitled to claim as a tax credit the **full amount** of tax paid in relation to expenses incurred.
4. If the taxpayer is engaged in a mixed activity (that is making taxable & exempt supplies), regulation 14(3) and/or 14(4) should be applied, as the case maybe. (See technical advisory § interpretation of Reg. 14(3)(b))
5. If the truck is being used purely to make exempt supply, no tax credit is to be allowed.
6. Where the truck is being exclusively in the transportation of goods, the question is on whose behalf.

supply (supply for own use), note 2 takes effect;
self-supply and supply to a third party, note 3 takes effect;
supply goods (which are being sold by the taxpayer) to the
does not indicate a separate charge for the transportation of
goods, the total amount invoiced is taxable. In this case, the transportation cost is
incidental to the supply of goods. Note 2 takes effect.

7. trucks means
 - a. vehicles commonly refer to as trucks
 - b. pick-ups ó Ford F150, Ford F250, Ford explorer, Cheverlet avalanche, Nissan single and twin cab and of similar construction
 - c. panel & window vans ó ford econline, Nissan vannette, Toyota town ace

Legislation

Regulation 14(5)(a)(iii)

(5) A registered taxpayer shall be entitled to claim as a tax credit -

(a) 50% of input tax which he is charged in relation to taxable supplies made to him for the purposes of his taxable activities as follows -

(iii) expenses incurred in respect of motor vehicles mentioned in sub-paragraph (b) (i)

subparagraph (b)(i)

(b) subject to paragraphs (6) and (6A) -

(i) 6.5% of the cost inclusive of tax (not exceeding an amount in Jamaican dollars equivalent to US\$35,000 calculated at the rate of exchange that was applicable on the date that the customs duty was paid) of any motor vehicle used for the purposes of his taxable activity, being a motor vehicle described in section 11 (1) (c) of the Road Traffic Act, including any motor vehicle of the type sold under the brand name or description of Station Waggon, Estate Car, Range Rover, Jeep or Pathfinder or any other vehicle which, in the opinion of the Commissioner, is of a construction similar to such type, and buses which have less than ten seats including the driver's seat; or

Regulation 14(3)

(3) Subject to paragraphs (4) and (5), where a registered taxpayer makes taxable supplies and exempt supplies, he shall be entitled to claim as a credit -

(a) in respect of the taxable supplies, all of the input tax paid or payable in respect thereof;

(b) in respect of the exempt supplies, all of the input tax paid or payable in respect thereof, if and only if the exempt supplies are not more than 5 per cent of the value of the total supplies or \$48,000, whichever is less.

Identify the input tax paid or payable in respect of the supplies entitled to claim as a credit, such proportion of the input tax as es.

Third Schedule Part 2 – exempt from tax

2. Transportation of goods and people within Jamaica, except armoured courier services and tour services rendered by tour operators.

Road Traffic Act

11. Classification of motor vehicles.

11. (1) Motor vehicles shall, for the purposes of this Act and regulations made thereunder be divided into the following classes -

(a) motor tractors; that is to say, motor vehicles which are not constructed themselves to carry any load other than the following articles, that is to say, water, fuel, accumulators and other equipment used for the purpose of propulsion, loose tools and loose equipment;

(b) trucks; that is to say, motor vehicles (not being classified under this section as motor cars) which are constructed themselves to carry a load or passengers or both;

(c) motor cars; that is to say, motor vehicles (not being classified under this section as motor cycles or invalid carriages) which are -

(i) constructed solely for the carriage of passengers exclusive of the driver;

(ii) adapted to carry not more than seven passengers exclusive of the driver,

