

General Consumption Tax

GCT ON GOVERNMENT PURCHASES

Published
by

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Cont. - List of Goods Exempt from GCT

19. Human invalid carriages
20. Medical and surgical prostheses including surgical implants and ileostomy, colostomy and similar abilities designed to be worn by human beings
21. Diagnostic reagents used for the testing of dextrose in the blood and glucose, protein, ketones and pH in the urine
22. Artificial breathing apparatus for individuals afflicted with respiratory disorder
23. Exercise books

NB – See the Third Schedule to the GCT Act for a comprehensive list of goods and services which are exempt.

Appendix 4

List of Goods Exempt from GCT

1. Basic food – flour, brown sugar, rice, cornmeal, soya meal, bread, bulla, water crackers
2. Baking flour (packaged 45.359kgs or above)
3. Milk (excluding condensed and skimmed)
4. **Canned:** sardines, herrings and mackerel
5. Infant formulae
6. Cooking oil (excluding olive oil and oil spray).
7. Any live bird, fish, crustacean, mollusc or any other animal of a kind generally used as or yielding or producing food for human consumption and draught animals
8. Fish, cock and noodle soups in aluminum sachets
9. Eggs for hatching
10. Unprocessed agricultural produce (including meat) supplied locally (subject to GCT when imported from non-CARICOM Countries)
11. School bags & school uniforms
12. List 4 drugs – Prescription
13. Compact fluorescent lamps and ballast, fluorescent tube fixtures and tubes
14. Solar water heating systems and energy savings devices
15. Sanitary towels and tampons
16. Contraceptive devices and substances
17. Disposable diapers for the incontinent
18. Orthopedic appliances, surgical belts, trusses, splints and other fracture appliances, artificial limbs, eyes, teeth and other artificial parts of the body, hearing aids, other appliances which are worn or carried or implanted in the body to compensate for any bodily defect or disability, canes, and crutches designed for use by the handicapped and eye glasses and contact lens used for the treatment or correction of a defect in vision on the written prescription of an eye-care professional.



Objective

As part of the ongoing reform of the Jamaican tax system the decision has been taken to charge GCT on the goods and services supplied to public sector entities. This document serves to explain how the regime works.

Legislative Reference

- ◆ The General Consumption Tax (GCT) Act
- ◆ First Schedule, Part II: Group 6, Group 8
- ◆ Regulation 7A
- ◆ Regulation 23

Background

GCT is imposed:

- a) on the supply in Jamaica of goods and services by a registered taxpayer in the course or furtherance of a taxable activity carried on by that taxpayer; and
- b) on the importation into Jamaica of goods and services, by reference to the value of those goods and services

Thus GCT is charged on the supply of goods and services **and** on the importation of goods or services



There are several GCT rates which are applicable to the supply or importation of goods and services:

- ◆ Standard rate 15%
- ◆ Tourism accommodation and attractions 10%;
- ◆ Telephone services and instruments 25%
- ◆ Zero rate 0%
- ◆ Printed material 2% (excluding newspaper & religious materials)
- ◆ In addition to the standard rate, an advanced GCT payment of 5% on goods imported by commercial importers

The GCT Act (the Act) provides for certain persons to acquire goods or services, which attract a positive rate of tax, at zero per cent. The process by which this is done is referred to as zero-rating. Ministries, Government Departments and Agencies (MDAs) were a part of this group up to May 31, 2014.

The zero-rating of goods and services remains in force for other entities such as registered charities, organizations that have the privilege by virtue of their statute and items in Part II of the first Schedule to the Act.



THE GENERAL CONSUMPTION TAX ACT
GENERAL CONSUMPTION TAX REMITTANCE RETURN
FOR TAX WITHHOLDING ENTITIES

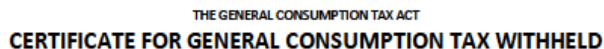
FORM 4F

Section A: GENERAL INFORMATION									
1. Name of Tax Withholding Entity (TWE)				2. Taxpayer Registration Number (TRN)					
				3. Return Period Year Month Day to Year Month Day					
4. Address						5. Tick if appropriate. ☐ Revised Return			
Section B: DETAILS OF GCT WITHHOLDING CERTIFICATES ISSUED (Table continues overleaf)									
(a) Tax Withholding Certificate Number	(b) Tax Withholding Certificate Date	(c) TRN of Supplier	(d) Name of Supplier	(e) Number of Invoices	(f) Value of Supply (\$)	(g) GCT Charged (\$)	(h) GCT Withheld (\$)		
Section C: SUMMARY OF GCT WITHHELD									
Total number of GCT Withholding Certificates issued for period						7			
Total value of goods and services supplied to TWE for period (Total column (f), Section B)						8			
Total GCT Withheld/Payable for period (Total column (h), Section B)						9			
Section D: DECLARATION						OFFICIAL USE			
I declare that to the best of my knowledge and belief this is a true and correct statement of the information and particulars given on this form.									
								Name of Responsible Officer	
								Title	
								Signature	
								Date	

Form No. 4F (Issued 2014/05)

Tax Administration Jamaica

APPENDIX 2



Certificate Number

Section A: DETAILS OF TAX WITHHOLDING ENTITY				
1. Name of Tax Withholding Entity	2. Taxpayer Registration Number (TRN)			
3. Address				
Section B: DETAILS OF SUPPLIER				
4. Name of Supplier	5. Taxpayer Registration Number (TRN)			
6. Address				
Section C: DETAILS OF GCT CHARGED & WITHHELD				
Date of Invoice (dd-mmm-yyyy)	Invoice Number	Value of Supply (\$)	GCT Charged (\$)	GCT Withheld (\$)
Total				
Section D: CERTIFICATION				
I hereby certify that the particulars given above are true.				
Name of Authorized Officer				
Title				
Signature				
Date				

Legislative Amendments

The GCT Act: Group 6 in Part 2 of the First Schedule which provided for Government Entities to get zero rating has been deleted.

The GCT Regulations: The insertion of paragraph 7A introduces the GCT withholding regime.

The effects of these amendments are:

- ◆ Suppliers who are registered taxpayers will charge GCT at the applicable rates to Government entities (MDAs);
- ◆ There will be no zero rating of invoices, however, there are some exceptions referred to in this document under the section labelled "Contract Payments and Other Payments"
- ◆ MDAs and public bodies will not pay the invoiced GCT amount to the supplier instead they will withhold the GCT charged on the purchase of goods and services.
- ◆ MDAs and public bodies will issue a Withholding Tax Certificate (WTC) to the supplier within 15 days of receipt of the invoice. (see specimen of WTC in Appendix 2)
- ◆ The WTC entitles the supplier/registered taxpayer to claim the amount of GCT withheld as a tax credit.

Payments

Warrant Funded

Payment of the GCT withheld by the MDAs and designated public bodies from warrant funds will be made by the Accountant General's Department (AGD). The AGD will make the payment to TAJ and inform the MDAs and the relevant public bodies.

Non– Warrant Funded

The GCT withheld in respect of purchases made from non-warrant or non-budgetary funds must be paid by the MDAs and other public bodies directly to TAJ by the last working day of the month following the taxable period in which the WTC was issued.

Public Bodies

Other public bodies designated as Tax Withholding Entities (TWEs) whose GCT is not paid by the AGD will pay the GCT withheld by them directly to TAJ by the last working day of the month following the taxable period in which the WTC was issued.

It should be noted that a registered taxpayer whose invoiced GCT has been withheld is required to file a GCT Return and account for the output tax. It is to be accounted for in the period when the WTC is issued. Additionally, the taxpayer also gets to claim the GCT withheld as a credit because it was withheld at source and paid over by the TWE. The registered taxpayer **must** file his GCT return electronically.

Appendix 1A

Legislative Reference Narratives

➤ **The General Consumption Tax (GCT) Act (the Act)**

The First Schedule provided for the zero rating of goods and services acquired by various organizations and individuals.

Group 6 – Government (NOW DELETED)

1. Goods purchased locally or imported or taken out of bond by or on behalf of, and services rendered to -
 - a) a Ministry or department of Government;
 - b) a statutory body or authority other than those mentioned in paragraph-2;
 - c) any Parish Council;
 - d) the Kingston and St. Andrew Corporation.
2. Item 1 does not apply to the organizations or their subsidiaries specified in Appendix 1

Group 8 of Part II of the First Schedule provides for the zero-rating of goods and services purchased by educational institutions for their own use, except for the following:

- ♦ motor vehicles,
- ♦ alcoholic beverages,
- ♦ motor spirit,
- ♦ kerosene and diesel oils
- ♦ goods purchased for fund raising events

- **Regulation 23** gives the procedure for goods and services to be zero-rated.

- **The Provisional Collection of Tax (General Consumption Tax) (No. 4) Order, 2014** introduced Regulation 7A.

Appendix 1

The following entities that were not previously eligible for Zero-Rating will now be designated Tax Withholding Entities for the purposes of the GCT Act:

1. Air Jamaica Limited
2. Airports Authority of Jamaica
3. Bank of Jamaica
4. Betting, Gaming and Lotteries Commission
5. Development Bank of Jamaica Limited
6. H.E.A.R.T. Trust
7. Jamaica Deposit Insurance Corporation
8. Jamaica Mortgage Bank
9. Jamaica Racing Commission
10. Jamaica Sugar Holdings Limited
11. National Housing Development Corporation
12. National Housing Trust
13. National Insurance Fund
14. National Investment Bank of Jamaica
15. National Water Commission
16. Petrojam Limited
17. Petroleum Corporation of Jamaica
18. Port Authority of Jamaica
19. Sugar Industry Authority
20. Transport Authority
21. Urban Development Corporation

Tax Withholding Entity (TWE)



MDAs and public bodies authorized to withhold GCT will be designated Tax Withholding Entities (TWEs) and will be registered as such. The tax withholding entities (TWEs) are:

- ♦ a Ministry, an Executive Agency, an agency or department of Government;
- ♦ a statutory body or authority (including those specified in the Third Schedule to the GCT Regulations – See Appendix 1
- ♦ Any Parish Council or Municipality; and
- ♦ the Kingston and St. Andrew Corporation
- ♦ other public bodies

Registration of TWEs is done by TAJ from a Master List of MDAs and public bodies provided by the Ministry of Finance.

Please note that the process does not require an application from the TWEs.

Supplies Subject to GCT Withholding

GCT should only be withheld on goods and services supplied at a positive rate of tax.

Importation of Goods by the TWEs



With effect from **June 1, 2014**, goods imported by MDAs and public bodies are subject to the payment of of GCT. This must be paid to the Jamaica Customs Agency along with the customs duty and any other fees charged before the goods can be released. The 5% Advanced GCT will not apply if the TWE is the final user of the imported goods. However, where a government agency is a registered taxpayer and imports taxable goods for resale, the 5% GCT is applicable.

Contract Payments & Other Payments



General Rule: All invoices dated June 1, 2014 and after are subject to withholding of the GCT.

Contractual arrangements that commenced prior to June 1, 2014 will continue to be zero-rated for purposes of the GCT Act until the contract expires. All contracts for goods and services

Educational Institutions

Under Group 8 of the First Schedule to the Act, educational institutions approved by the Minister of Education will continue to have their invoices zero-rated for **goods & services** purchased for own use and from funds for which the educational institution is accountable. The purchase should also be certified by the head of the educational institution.

In addition, Group 8 Item 5 of the First Schedule to the Act allows the entities listed below to acquire goods and services for own use at a zero rate of tax:

- University of the West Indies,
- University of Technology, Jamaica,
- Northern Caribbean University, and
- Council of Legal Education

The Withholding Tax Certificate shall contain the following particulars -

1. The name of the tax withholding entity;
2. The name of the registered taxpayer supplying the goods or rendering the services to the tax withholding entity;
3. The taxpayer registration number of the tax withholding entity;
4. The taxpayer registration number of the registered taxpayer supplying the goods or rendering the services to the tax withholding entity;
5. The value of the supply;
6. The number of the invoice issued by the registered taxpayer;
7. The date of the invoice;

Responsibilities of Public Bodies

1. Public bodies who prior to June 1, 2014 were paying GCT for their goods and service will continue to do so; however, effective June 1, 2014 they will pay the GCT directly to TAJ and not to their suppliers.
2. Provide their suppliers with a WTC for the GCT withheld from them.
3. The GCT withheld is to be remitted to TAJ by the last working day of the month following the month in which the withholding tax certificate was issued.
4. The GCT on invoices dated prior to June 1, 2014 and received after June 1, 2014 should be paid to the suppliers.
5. Where a public body is also a registered taxpayer, in addition to filing their monthly Form 4A they will now also file the Form 4F.

signed on and after June 1, 2014 shall be subject to the payment of GCT at the applicable rate.

Invoices for goods and services supplied on or after June 1, 2014 that are in relation to a contract signed before June 1, 2104 will continue to be zero-rated until the expiration of the contract.

Public bodies that were already paying GCT to their suppliers will now withhold and make the payments to TAJ.

Purchase Orders that were zero-rated prior to June 1, 2014 but not yet invoiced will be incorporated in the new withholding regime and therefore subject to GCT at the applicable rate.

The tax invoice must reflect the GCT.

Contracts funded by foreign governments and multilateral agencies will continue to be zero rated by TAJ in accordance with Group 4, Part II of the First Schedule to the GCT Act.

Cash Purchases

There are circumstances where a supplier does not issue a tax invoice until payment is received. In these cases where the purchase order was done prior to June 1, 2014 and payment is made on or after June 1, 2014 the GCT is to be withheld as per the new regime.

Ongoing Supplies

Where goods are supplied progressively or periodically under an agreement signed prior to June 1, 2014 for services that provide for the consideration to be paid from time to time, such as;

- The supply of electricity and telephone
- Rental of premises
- Security services
- Insurance,

the payments are subject to withholding of GCT under the new regime, notwithstanding that the purchase order/agreement was zero-rated prior to June 1, 2014.

Responsibilities of the Registered Taxpayer (Suppliers)

Under the new regime a registered taxpayer who supplies goods or renders services to a TWE is required to:

- ◇ Charge GCT on all taxable supplies;
- ◇ Issue a tax invoice;
- ◇ Account for the GCT as output on the return when the withholding tax certificate (WTC) is issued;
- ◇ Use the WTC to claim the amount of GCT withheld as a tax credit in the taxable period in which the certificate was issued or in another period.
- ◇ E-file the monthly GCT return.



Responsibilities of the TWE:

- ◇ The accounting officer of the TWE shall be responsible for withholding the GCT and advising the Ministry of Finance of the amounts withheld
- ◇ The accounting officer will delegate the following functions:
 - Deduct and withhold the tax due at the applicable rate
 - Issue a WTC to the registered taxpayer within fifteen (15) days of receipt of the invoice
 - Prepare and file the GCT Remittance Return for TWEs (Form 4F) specified in Appendix 3 (stating the names and taxpayer registration numbers of the taxpayers from whom the tax was withheld and the amount of tax withheld in respect of each taxpayer)
 - Remit the tax payable on Form 4F by the last working day of month following the taxable period in which the withholding tax certificate was issued
 - Payment of the GCT on goods imported to the Commissioner of Customs
 - Payment of the GCT on taxable supplies acquired locally using non-warrant/non budgetary funds to the Commissioner General

Responsibilities of the TWEs Who Are Also Registered Taxpayers:

The MDAs and public bodies in this category are charged with the responsibilities listed above for TWEs **and** are required to file two (2) returns; the GCT Remittance Return for Tax Withholding Entities (Form 4F) and the GCT Standard Return (Form 4A).