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Technical Paper: "Definition of Bread for GCT Purposes"

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TECHNICAL ADVISORY

Definition of Bread for GCT Purposes

Effective November 1, 2020

Abbreviations and Glossary of terms

<i>Bread</i>	<i>Bread shall be such basic bread products that the Commissioner is prepared to treat as exempt from GCT in accordance with the intention of parliament in 1991</i>
<i>Commissioner</i>	<i>Commissioner General, Tax Administration Jamaica</i>
<i>Implementation date</i>	<i>November 1, 2020</i>
GCT	General Consumption Tax
TAJ	Tax Administration Jamaica

DISCLAIMER: This Advisory is a guide only and is not a substitute for the Income Tax Act or any other relevant Legislation

TECHNICAL ADVISORY

Definition of Bread for GCT Purposes

Effective November 1, 2020

Purpose

The purpose of this Advisory is to provide guidance on what is to be treated as bread for GCT purposes.

Legislation

- *Third Schedule, Part I, Item 13*

Background

The exemption regime for GCT was intended to mitigate against the regressive impact the tax would have on the average low income earners. In other words, certain items of goods and services are prescribed by law as being exempt from GCT to ease the burden that taxing of basic food items would have on the poor.

Goods and services specified in the Third Schedule are classified as exempt from GCT. Items that fall in the exempt category include bread, bulla and crackers. Where an item is exempt from the tax, no GCT is charged on the sale of such item. This means an input tax credit is not allowed for the tax paid on the inputs used to make these products because they are non-taxable. Instead, the GCT paid is to be included as part of the cost of the goods and services.

Issue

Paragraph 13 in Part I of the Third Schedule to the General Consumption Act exempts from tax “Bread, bulla and water crackers”.

Registered taxpayers and the public are not sure what the term “bread” means for GCT purposes since unlike crackers which has been specifically defined in paragraph 13(2) of the Third Schedule, there is no distinct definition of “bread”. Given the many types of bread that are on the market, the issue arises as to when does that item move from being exempt and become taxable for GCT purposes. Specifically included in the prevailing issues surrounding the taxability of bread is the GCT treatment of hamburger buns (a type of bread) which are garnished with sesame seeds.

Guidance

Generally, whenever a term is not defined for Value Added Tax (VAT) in our case GCT, the ordinary meaning of the term is considered.

The ordinary meaning of bread is “food made of flour, water; and yeast mixed together and baked” (**Concise Oxford English Dictionary**).

Notwithstanding the above definition, TAJ's position is that certain types of bread shall not be treated as exempt from tax especially where it contains additives or flavours that change the basic constitution of the good which is water, wheat flour and yeast. Therefore, items such as corn bread, coco bread, raisin bread, garlic bread, cheese bread, banana bread and other flavoured bread will not be accorded the exempt status.

For the finished product to be treated as bread for GCT purposes, its normal flavour must not be altered from that which obtains from the use of wheat flour, water and yeast and any other additive that is necessary for its preservation, e.g. salt.

Finally, with regard to hamburger buns, they shall be regarded as bread within its ordinary meaning, notwithstanding the presence of natural sesame seeds that embellish their crust. It therefore qualifies for exemption from General Consumption Tax since it is a basic bread product.

Implementation date

The implementation date for this Advisory shall be November 1, 2020.

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