

TALKING TAX

UNDERSTANDING THE BASIC GCT TAX CHANGES

As part of his Budget presentation tabled in Parliament on May 24, 2012 and the revised Budget tabled June 6, 2012 (following consultations with stakeholders) Finance Minister, Dr. the Hon. Peter Phillips announced a number of revenue measures. These included tax measures for GCT which would impact the general public as follows:

1. Reduction in the standard rate of General Consumption Tax (GCT) from 17.5% to 16.5%

In keeping with the Government of Jamaica's commitment to the tax reform and ensuring a reduction of rates, the standard rate of GCT payable in respect to taxable goods and services was reduced by one-percent (1%) point effective **June 1, 2012**. Consumers will therefore pay one-percent (1%) less when they buy taxable goods and services.

2. Partially widen the GCT base

- In an effort to broaden the tax base and reduce the administrative issues being experienced, several items previously listed as exempt or zero-rated will now attract GCT at the standard rate of 16.5%. Consumers will now pay GCT on a wider range of goods and services.
- The items listed below are now taxable at the standard rate as at **June 1, 2012**.
 - *Flavoured milk, milk based products, condensed milk and milk substitute*
 - *Corn beef (canned)*
 - *Pickled mackerel, herring, shad, dried salt fish*
 - *Buns, crackers (except water crackers), biscuits (salted and unsalted)*
 - *Eggs.*
 - *All patties*
 - *Rolled Oats*
 - *Live birds, fish, etc.*
 - *Syrup*
 - *Animal feeds, pet food.*
 - *Planting materials including cereals and seeds in their natural state, dormant flower bulbs, corns, roots and tubers and nursery stock, vegetable plants and live trees*
 - *Surgical gloves, including disposable, sterile and those made of latex rubber*
 - *Printed matter, articles and materials*

3. Amendment to the GCT regime as it relates to electricity

GCT will no longer be payable by residential customers, replacing the current arrangement of a 10% charge on usage of electricity above a threshold of 200KWh. GCT rate for commercial customers will be increased from 10% to the standard rate of 16.5%. This measure will take effect **July 1, 2012**.

Implications of changes to an average householder's/consumer's grocery and electricity expense

| | COST | GCT RATE OF 17.5% | | GCT RATE OF 16.5% (EXPANDED TAXABLE ITEMS) | |
|---------------------|-------------|-------------------|--------------------|---|--------------------|
| ITEM | | GCT | Total | GCT | Total |
| Baked beans | \$70.00 | \$12.25 | \$82.25 | \$11.55 | \$81.55 |
| Bath soap | \$74.00 | \$12.95.00 | \$86.95 | \$12.21 | \$86.21 |
| Bread | \$220.00 | Non-taxable | \$220.00 | Non-taxable | \$220.00 |
| Bulla | \$65.00 | Non-taxable | \$65.00 | Non-taxable | \$65.00 |
| Chicken (2kg) | \$642.00 | Non-taxable | \$642 | Non-taxable | \$642.00 |
| Chicken Noodle | \$45.32 | Non-taxable | \$45.32 | Non-taxable | \$45.32 |
| Corn beef (canned) | \$160.00 | Non-taxable | \$160.00 | \$26.40 | \$186.40 |
| Cornmeal (1kg) | \$107.50 | Non-taxable | \$107.50 | Non-taxable | \$107.50 |
| Eggs (1 doz) | \$230.00 | Non-taxable | \$230.00 | \$37.95 | \$267.95 |
| Flour (1kg) | \$81.94 | Non-taxable | \$81.94 | Non-taxable | \$81.94 |
| Light bill – 260KWh | \$10,504.00 | *\$1,050.40 | \$11,554.40 | **Non-taxable | \$10,504.00 |
| Rice (1 kg) | \$84.72 | Non-taxable | \$84.72 | Non-taxable | \$84.72 |
| Salted fish (1kg) | \$744.00 | Non-taxable | \$744.00 | \$122.76 | \$866.76 |
| Sardine | \$96.06 | Non-taxable | \$96.06 | Non-taxable | \$96.00 |
| Soda (2 litre) | \$140.00 | \$24.50 | \$164.50 | \$23.10 | \$163.10 |
| Sugar | \$113.00 | Non-taxable | \$113.00 | Non-taxable | \$113.00 |
| Syrup | \$78.00 | Non-taxable | \$78.00 | \$12.87 | \$90.87 |
| Tin mackerel | \$62.00 | Non-taxable | \$62.00 | Non-taxable | \$62.00 |
| Toilet tissue | \$50.00 | \$8.75 | \$58.75 | \$8.25 | \$58.25 |
| Toothpaste | \$109.00 | \$19.08 | \$128.08 | \$17.99 | \$126.99 |
| Vienna sausage | \$50.00 | \$8.75 | \$58.75 | \$8.25 | \$58.25 |
| Water Crackers | \$110.40 | Non-taxable | \$110.40 | Non-taxable | \$110.40 |
| Yam, banana, etc. | \$500.00 | Non-taxable | \$500.00 | ***Non-taxable | \$500.00 |
| TOTAL | | | \$15,472.90 | | \$14,618.21 |

* Based on threshold of 200kwh, difference taxed at 10%.

** GCT is no longer applied to residential customers.

*** Revised revenue measures have rescinded domestic raw foods from the taxable list.

GCT & Taxpayers – What you need to know

With the new GCT tax measures introduced as of **June 1, 2012** the public is reminded of how GCT is applied.

- Businesses with annual sales of more than **J\$3M** are required by law to register as a **GCT Taxpayer** and to charge GCT. As a registered GCT taxpayer, such business persons are entitled to set-off GCT paid when they buy goods against GCT collected from goods sold and to file a GCT return by the end of the month following the period. E.g. GCT for May would be due at the end of June.
- Only registered GCT taxpayers who are issued with a valid GCT Certificate are authorized to collect GCT. The law requires that such entities collecting GCT must prominently display their GCT Certificate.
- **Customers are therefore cautioned not to pay GCT to non-registered taxpayers.** GCT is not to be paid on any item unless the business person can prove that he/she is registered for GCT by displaying/showing the GCT Registration Certificate

The Talking Tax series is prepared by the Communications Unit of Tax Administration Jamaica (TAJ) to guide the public on their rights and obligations. To get additional information on this or any other tax matter, persons may contact 1-888-TAX-HELP (829-4357) or www.jamaicatax.gov.jm.

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