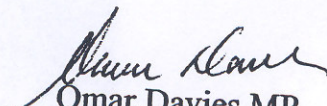


MINISTRY PAPER No. 21/03

GENERAL CONSUMPTION TAX (GCT) ACT- ZERO-RATED AND EXEMPT ITEMS

Members of this Honourable House will recall that at the presentation of the Revenue Estimates, I announced that certain items that were formerly zero-rated and exempt would now become taxable.

The items set out in the attached Appendix will be zero-rated under Part Two of the First Schedule of the General Consumption Tax (GCT) Act and exempt under the Third Schedule of the General Consumption Tax (GCT) Act.


Omar Davies MP
Minister of Finance and Planning
April 23, 2003

PART II-Items which are zero-rated.

GROUP 1 – Foodstuff: Deleted *(Please see List of exempted goods)*

GROUP 2 – Agriculture

1. Machetes, 11.43 cm triangular cutlass files, grubbing hoes, farm forks (that is to say four-pronged forks).
2. Planting material including cereals and seeds in their natural state: dormant flower bulbs, corns, roots and tubers, nursery stock which the Commissioner of Inland Revenue is satisfied is intended for commercial purposes, vegetable plants and live trees which the Commissioner of Inland Revenue is satisfied are intended for commercial purposes.

GROUP 3 – Health

1. Any drug specified in the Fourth Schedule (List 4 Drugs) to the Food and Drugs Regulations, 1975, in generic form;
2. Invalid carriages.
3. All contraceptive devices and substances.

GROUP 4-Diplomatic and International Organizations

1. Articles for the use of and services performed for the Governor-General.
2. (1) Articles imported into Jamaica or purchased in bond or directly from or services rendered by a registered taxpayer for the personal or official use of –
 - (a) heads of missions and international organizations;
 - (b) non-Jamaican citizens who are members of the staff of a mission or an international organization other than members of the service staff;
 - (c) non-Jamaican citizens who are trade commissioners and members of the staff of a trade commission other than service staff;
 - (d) Consular officers who are natives or citizens of the countries they represent and who are not engaged in any other business or profession in Jamaica.
- (2) Paragraph (1) shall apply only in respect of such categories of persons as are specified in an order made by the Minister responsible for foreign affairs for the purpose of this Item.

GROUP 5 - *Export*

1. Goods, other than used goods, exported from Jamaica in prescribed circumstances.
2. Goods and services purchased in Jamaica and goods imported in or taken out of bond in Jamaica by or on behalf of persons engaged in the production of bauxite and alumina being goods and services directly related to such production.
3. Goods specified in item No. 2 of Part I of the Second Schedule to the Customs Tariff (Revision) Resolution, 1972, under the heading "Aircraft" in relation to –
 - (a) an airline operating scheduled services within Jamaica or to a place outside Jamaica;
or
 - (b) chartered and private aircraft calling in Jamaica for refuelling and repairs.
4. Services exported from Jamaica in prescribed circumstances.
5. Services rendered in Jamaica directly related to the exportation of goods.
6. Any taxable item which is manufactured or supplied in Jamaica and –
 - (a) exported by a registered taxpayer;
 - (b) shipped by a registered taxpayer –
 - (i) for use as stores on an aircraft or vessel;
 - (ii) as merchandise for sale to persons on board an aircraft or vessel, the final destination of which is outside of Jamaica.
7. Spare parts and equipment used in the repairs of any aircraft or vessel which is wholly or mainly used internationally for the transportation of goods to and from Jamaica.

GROUP 6-*Government*

1. Goods purchased 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) *(Deleted by Act 21 of 1991)*
 - (d) any Parish Council;

(e) the Kingston and St. Andrew Corporation.

2. Item 1 does not apply to the following organizations or their subsidiaries -

Agricultural Credit Bank of Jamaica Limited

Air Jamaica Limited

Airports Authority of Jamaica

Bank of Jamaica

Jamaica Broadcasting Corporation

Jamaica Commodity Trading Company Limited

Jamaica Development Bank

Jamaica Merchant Marine Limited

Jamaica Mortgage Bank

Jamaica Sugar Holdings Limited

National Development Bank of Jamaica Limited

National Hotels and Properties Limited

National Housing Corporation Limited

National Housing Trust

National Investment Bank of Jamaica (NIBJ)

National Water Commission

Petrojam Limited

Petroleum Corporation of Jamaica

Port Authority of Jamaica

Sugar Industry Authority

Urban Development Corporation

GROUP 7 – Places of Worship

1. Goods of a non-consumable nature which the head of a denomination for which the goods are assigned declares in writing will be used only for the purpose intended and which the Commissioner of Inland Revenue is satisfied are purchased or imported solely for furnishing or decorating a place of worship or as vestments for use during public worship.
2. Altar bread, matzos unleavened bread, communion wafers and altar wine purchased or imported for the purpose of administering the sacraments which the head of the denomination for which they are intended declares in writing will be used only for the purpose intended.
3. Candles, myrrh and frankincense which the Commissioner of Inland Revenue is satisfied are purchased or imported solely for use in places of divine worship.
4. Offertory envelopes purchased or imported by or on behalf of a religious denomination.

GROUP 8- *Education*

1. School books
2. Stationery (including writing paper), printed forms, envelopes and blotting paper for use in an examination which are purchased in Jamaica or imported therein by or on behalf of the Cambridge Local Examination Committee, the Caribbean Examination Council or any other examination body recognized by the Minister of Education for which there is a certificate signed by the Secretary of the respective body verifying the use for which the stationery, forms, envelopes and paper are intended.
3. Goods and services acquired by the University of the West Indies , the Council of Legal Education, the University of Technology and Northern Caribbean University for their use.
4. Exercise books specified under Tariff Heading No. 4820.20 of the First Schedule to the Customs Tariff (Revision) Resolution, 1972.

GROUP 9-Miscellaneous

1. Parcels whose value (exclusive of customs duty and postage) does not exceed such amount as is applicable for customs duty purposes.
2. Passengers' baggage and household effects as described in and to the extent allowed under Items Nos. 6 and 6A of Part 1 of the Second Schedule to the Customs Tariff (Revision) Resolution, 1972.
3. Re-imported goods on which tax has not been previously credited or refunded.
4. Gold bullion, coins and bank and currency notes imported by the Bank of Jamaica.
5. Unused postage, revenue and other stamps, postmarks and franked envelopes, letters and cards imported by the Postmaster General.

GROUP 10 – Activities - Deleted

GROUP 11-Motor Vehicles

1. Motor vehicles as defined in section 11 of the Road Traffic Act each of a value not exceeding US\$25,000 cif., which are imported by the following category of persons in the circumstances specified subject to such terms, conditions or restrictions as the Minister may in writing direct –

- (a) persons recruited overseas for appointment in the public service or by a statutory body or authority;
- (b) a statutory body or authority or a company wholly owned by the Government other than those specified in item 2 of Group 6;
- (c) persons recruited overseas as teachers by the Ministry of Education;
- (d) persons employed in schools approved by the Ministry of Education–
 - (i) as principals and vice-principals; or

- (ii) as teachers to implement, co-ordinate, or supervise any work experience programme approved by the Ministry of Education;
- (iii) as master teachers

(e) persons recruited overseas by the University of the West Indies for employment at the Mona Campus or who, being employed at another Campus of the University, are transferred to the Mona Campus;

(f) persons registered as medical practitioners employed to the Government or the University of the West Indies or the University Hospital of the West Indies;

(g) nurses employed to the University of the West Indies or the University Hospital of the West Indies who qualify for a full upkeep allowance;

(h) public officers who have served in Jamaican Foreign Missions for three years or more and who have been re-assigned to Jamaica or have gone on pre-retirement leave on returning to Jamaica;

(i) travelling officers in the public service who are in receipt of or are eligible for commuted allowance or full upkeep allowance;

(j) Parliamentarians;

(k) persons referred to in paragraphs (a), (e), (g) and (j) who, not being Jamaican nationals, are re-engaged on contract.

(l) Custodes;

(m) Chairmen of Parish Councils and the Mayor of the Kingston and St. Andrew Corporation;

(n) travelling officers in a statutory body approved by the Minister by Notice pursuant to paragraph (2) (q) of Tariff Heading No. Ex 87.02 of Part I of the Third Schedule to the Customs Tariff (Revision) Resolution, 1972, who are in receipt of or eligible for commuted allowance or full up-keep allowance.

(o) travelling officers who are in receipt of or eligible for commuted or full upkeep allowance in one of the following organizations –

Adoption Board

Consumer Affairs Commission

Contractor General's Office

Drug Abuse Secretariat

GROUP 9-Miscellaneous

1. Parcels whose value (exclusive of customs duty and postage) does not exceed such amount as is applicable for customs duty purposes.
2. Passengers' baggage and household effects as described in and to the extent allowed under Items Nos. 6 and 6A of Part 1 of the Second Schedule to the Customs Tariff (Revision) Resolution, 1972.
3. Re-imported goods on which tax has not been previously credited or refunded.
4. Gold bullion, coins and bank and currency notes imported by the Bank of Jamaica.
5. Unused postage, revenue and other stamps, postmarks and franked envelopes, letters and cards imported by the Postmaster General.

GROUP 10 – Activities - Deleted

GROUP 11-Motor Vehicles

1. Motor vehicles as defined in section 11 of the Road Traffic Act each of a value not exceeding US\$25,000 cif., which are imported by the following category of persons in the circumstances specified subject to such terms, conditions or restrictions as the Minister may in writing direct –
 - (a) persons recruited overseas for appointment in the public service or by a statutory body or authority;
 - (b) a statutory body or authority or a company wholly owned by the Government other than those specified in item 2 of Group 6;
 - (c) persons recruited overseas as teachers by the Ministry of Education;
 - (d) persons employed in schools approved by the Ministry of Education–
 - (i) as principals and vice-principals; or

Fair Trading Commission

Fiscal Services (EDP) Limited a 4-H Club

Institute of Sports Limited

Integrity Commission

Jamaica Fire Brigade

Jamaica Movement for the Advancement of Literacy

Jamaica National Heritage Trust

Kingston and St. Andrew Corporation

Metropolitan Parks and Markets Limited

Natural Resources Conservation Authority

Office of the Parliamentary Ombudsman

Overseas Examination Office a Parish Council

Real Estate Board

Rural Agricultural Development Authority,

Underground Water Authority;

(s) Councillors of a Parish Council or members of the Council of the Kingston and St. Andrew Corporation;

(t) a former Governor-General

(u) a former Prime Minister

(v) Executive Secretaries Grade II or III in the public service who are in receipt of or are eligible for commuted allowance;

(w) members of the Mona Campus chapter of the West Indies Group of University Teachers (WIGUT);

(x) persons employed to the Electoral Advisory Committee as Regional Supervisors.

(2) No person shall at one and the same time enjoy benefits under more than one paragraph of item 1.

GROUP 12 – Deleted 1994

GROUP 13 – Energy-Saving Devices - Deleted

GROUP 14 – Coverings and Containers - Deleted

GROUP 15-*Items under Certain Enactments*

Items which the Commissioner of Inland Revenue is satisfied are acquired in circumstances under which they are exempt from customs duty pursuant to the following enactments –

1. The Bauxite and Alumina Industries (Encouragement) Act.
2. The Export Industry Encouragement Act.
3. The Hotels (Incentives) Act.
4. The Industrial Incentives Act.
5. The Industrial Incentives (Factory Construction) Act.
6. The Jamaica Export Free Zones Act.
7. The Motion Picture Industry (Encouragement) Act.
8. The Petroleum Act.
9. The Petroleum Refining Industry (Encouragement) Act.
10. The Resort Cottages (Incentives) Act.

GROUP 16-*Goods used in the modernization programme*

Goods (not being jewellery), fuel, food of any description, cosmetics, toilet preparations or goods used as raw materials) which the Commissioner of Inland Revenue is satisfied

are acquired by a manufacturer for use wholly or mainly in the manufacture or production of goods for commercial purposes in a modernization programme prescribed by the Jamaica Promotions Corporation for that manufacturer.

GROUP 17 - *Research and Development*

Equipment and materials acquired for use solely and directly in a research and development programme registered with the National Commission on Science and Technology and certified by the Commission to be necessary for the execution either of the research segment of such programme or of the pilot or prototype stage of the development segment of such programme.

PART III-Construction Materials

<u>Category</u>	<u>Unit for Tax</u>	<u>Rate of Tax</u>
Portland cement, that is to say, grey building cement	value	12½%
Pre-mixed concrete	value	12½%
Cement Blocks	value	12½%
Steel reinforcing bars	value	12½%.
Marl, sand, gravel, stone, top soil	value	12½%

THIRD SCHEDULE (Sections 2, 25 and 29)

GOODS AND SERVICES EXEMPT FROM TAX

PART I - Goods

1. Corn
2. Soyameal
3. Wheat

4. Raw foodstuff as follows -

- (a) fresh fruit and vegetables, excluding imported apples, pears, quinces, apricots, cherries, peaches (excluding nectarines), plums, sloes, berries, grapes and kiwis;
- (b) ground provision;
- (c) legumes;
- (d) onions and garlic;
- (e) meat;
- (f) poultry;
- (g) fish, crustacean or mollusc, which contain no additive and which is not subject to any process other than -
 - (i) freezing, chilling, salting or packaging,
 - (ii) slicing, mincing, grinding, dicing or chopping; or
 - (iii) natural drying.

5. Food produced exclusively for the feeding programme of a school approved by the Minister of Education which is not for resale to the general public.

6. Milk (including condensed and powdered skimmed) but excluding flavoured milk, milk-based products and milk substitutes.

7. Cornmeal and cereal flour which is known as counter flour and which is made from cereal containing thiamine, riboflavin, niacin and iron but no other additives.

8. Corned beef.

9. Pickled mackerel), herring, shad and dried salted fish.

10. Canned sardines, herrings and mackerel.

11. Infant formulae.

12. (1) Bread, buns, buns, biscuits and crackers.

(2) In paragraph (1) "crackers" means small dry bakery products made only of bleached flour and water, with or without leavening or shortening and salted, the total weight of

which contains not more than ten per cent of sugar and without flavouring, coating or topping and verified to be such by the Bureau of Standards.

13. Rice.

14. Sugar (brown).

15. Salt.

16. Eggs.

17. Patties that is to say beef or vegetable pies of the description popularly known by that name in Jamaica.

18. Rolled oats.

19. Baking flour packaged in quantities of not less than 45.359 kilograms.

20. 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.

21. Unprocessed agricultural produce, including produce from stock farming, fresh water fish farming, forestry cultivation and horticulture supplied directly at the farm gate.

22. Motor spirit, which before being sold is coloured to the satisfaction of the Commissioner of Inland Revenue, and lubricating oil which are sold to fishermen for use in commercial fishing and which are so certified by the Director, Fisheries Division, Ministry of Agriculture:

Provided that with respect to motor spirit the extent of the exemption granted under this Item shall apply only in respect of fifty per cent of the tax payable.

24. Cooking oil.

26. Syrup as specified under Tariff Heading No. 21.06 of the First Schedule to the Customs Tariff (Revision) Resolution, 1972.

27. Fish, cock and noodle soups in aluminium sachets.

28. School uniforms and school bags.

28. Sanitary towels and tampons specified under Tariff Heading No. 4818.401 of the First Schedule to the Customs Tariff (Revision) Resolution, 1972.

29. Airline tickets for international travel.

Part 1A – Computer Equipment - Deleted

PART II-Services

1. The following operations -

(a) the construction, alteration, repair, extension, demolition or dismantling of any building or structure, including offshore installations, that is to say, installation which are maintained or are intended to be established for underwater exploitation;

(b) the construction, alteration, repair, extension or demolition of any works forming or intended to form, part of the land, including (without prejudice to the generality of the foregoing) walls, roads works, powerlines, telegraphic-lines, aircraft runways, docks and harbours, railways, inland waterways, pipelines, reservoirs, water-mains, wells, irrigation works, sewers, industrial plant and installation for purposes of land drainage, coast protection or defence;

(c) [deleted]

(d) [deleted]

(e) operations which form an integral part of, or are preparatory to, or are for rendering complete, such operations as are described in paragraphs (a) to (d), including site clearance, earth moving, excavation, tunnelling or boring laying of foundations, erections of scaffolding, site restoration, land-scaping and the provision of roadways and other access works;

(f) [deleted]

2. Public postal and telegraph services.

3. The rental of residential property for residential purposes.

4. The provision of education or training in an educational institution approved by the Minister of Education.

5. Medical, dental, nursing and optical services and services provided pursuant to the Professions Supplementary to Medicine Act.

6. Services performed under a contract the payment for which is by a foreign government or a multilateral lending agency.
7. Services rendered by Legal Aid Clinics and under the Poor Prisoners' Defence Act.
8. The supply of water (excluding bottled water) to the public.
9. The supply of electricity to or for the public.
10. The supply of sewerage disposal services.
11. (1) The following financial services -
 - (a) the exchange of money;
 - (b) the payment or collection of a cheque;
 - (c) the issue of a letter of credit, traveller's cheque, bank cheque, postal note, cash card, credit card or money order;
 - (d) the issue, allotment, drawing, acceptance, endorsement, transfer of ownership, or payment of a debt security;
 - (e) the issue, allotment, or transfer of ownership of an equity security or a participatory security;
 - (f) underwriting or sub-underwriting the issue of an equity security, debt security, or participatory security;
 - (g) the provision of credit under a credit contract;
 - (h) the assignment of any hire-purchase agreement;
 - (i) the provision of a guarantee, indemnity, security, or bond in respect of the performance of obligations under a cheque, credit contract, equity security, debt security, or participatory security, or in respect of the activities specified in paragraphs (b) to (h);
 - (j) the provision or transfer of ownership, of a life assurance contract or the provision of re-insurance in respect of any such contract;
 - (k) the provision or transfer of ownership of an interest in a superannuation scheme.
 - (l) the provision or assignment of a futures contract through a futures exchange;
 - (m) the agreeing to do or arranging of any of the activities specified in paragraphs (a) to (l);

(n) the payment of dividends and interest.

(1A) Paragraph (1) shall not apply to -

(a) any commission earned by a salesman in the life insurance industry who is self-employed or is employed as an independent contractor; or

(b) the following -

(i) services rendered by an accountant or attorney-at-law; or

(ii) fees or commission charged in respect of the services specified in sub-paragraphs (a) to (n) of that paragraph.

(2) In paragraph (1) -

"equity security" means an interest in or right to share in the capital of a body corporate;

"participatory security" means an interest or right to participate in any capital assets, earnings, or other property of any person, including an interest in a unit trust but not in an equity security.

12. Services rendered by the Jamaican Branch of the Red Cross Society.

13. Services rendered by the St. John's Ambulance Brigade.

14. Services rendered by the Boy Scouts and Girl Guides Association of Jamaica and any other youth organization or association approved by the Minister.

15. Services (excluding catering services) rendered at a port or international airport in Jamaica in connection with the importation or exportation of goods or the transportation of people into or out of Jamaica.

16. The rearing of animals or the growing of crops under a contract for reward.

[10/22/02]

17. The transportation of persons within Jamaica.