



GCT ON ENTRANCE FEES - THE “GENERAL ADMISSION TAX”

Many party promoters, event planners, professional associations, churches and charitable organizations are not aware of the fact that, as a general rule, General Consumption Tax ought to be charged on activities for which a registration or an admission fee is charged.

The holding of an activity for which an admission fee is charged is considered to be a service under the General Consumption Tax Act. Part of the definition of a service under the Act is that a service is anything that does not constitute a supply of goods. So, for example, school barbecues, family fun days, theatrical productions, conferences, seminars, stage shows

and all-inclusive parties are all services for which the organizer may be liable to add GCT to the ticket price.

Exemption for Churches, Schools, Charities etc.

The Act provides an exemption for activities carried out by an approved cultural organization, or events where the proceeds are for religious, educational, scientific, philanthropic or charitable purposes. None of these organizations would have seen the benefit of this exemption in recent years as the Ministry of Finance has, since September 2003, passed a series of successive provisional orders, each one limited to 6-month periods, removing this exemption from the Act. In the past decade the GCT exemption on admission fees for cultural or charitable purposes has spent more time outside of the GCT Act than in it. As recently as September 2008, the Minister of Finance made another provisional order removing the exemption and that order was scheduled to expire at the end of March 2009. It is yet to be seen whether the Minister will seek to renew the Order.

In any event, several of the larger charities, and especially those that hold annual fundraising events, could have a liability for failing to charge, collect and pay over GCT on admission fees over the past 6 years. Many of them may be labouring under the mistaken belief that an exemption from income tax means an automatic exemption from the duty to charge and collect GCT. If the GCT exemption is not allowed, it could deter charities and churches from raising funds by organizing events and lead them instead to seeking outright donations, which are not taxable under either the GCT Act or the Income Tax Act.

Conferences and Seminars

The Act also provided an exemption for GCT on admission fees to education and training seminars once they were being conducted by a tertiary institution, or a professional organization for the exclusive benefit of its members. This exemption was also removed by way of the Provisional Order referred to earlier.

The majority of conferences and seminars are not organized by tertiary institutions, however, and professional organizations often need to invite members of the public so that they can maximize the revenue without passing on the full cost of the conference to their members. The benefit to be gained from marketing the conference to the wider public must therefore be weighed against the liability to charge GCT on the admission fee once it is not exclusive to the members of the professional organization.

Passa Passa Plus Tax?

The patrons of 'Passa Passa', who pay nothing to gain entry to this street dance, have no fear of being affected. The organizers of the high-profile, 'everything-included' (except the GCT) summer parties, however, fall squarely within the Act as providing a taxable service. The promoters' liability to charge GCT is not limited only to the admission fees, but possibly also the promotional/sponsorship deals that they have entered into, depending on how they are structured. Sponsorship can take many forms, but whether the consideration is in cash or kind, there is a value that can be ascribed to the marketing opportunity and therefore also a value-added tax that may be payable. The last thing that corporate sponsors seeking to market their goods and services at these parties want to be involved in is an allegation of a conspiracy to evade the payment of GCT.

That an admission ticket might not state whether GCT is included does not mean that the organizer or promoter is not deducting the appropriate amount of GCT from the face value of the ticket and paying it over to the Government. An organizer who is not in compliance ought not to feel secure in the assumption that hardly anyone pays GCT to the Government on admission fees and therefore they have nothing to fear.

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