

Inland Revenue Department

Technical Note

VAT Guidelines for Change of Use of Goods and Services

August 29, 2012

Overview This Technical Note gives guidance to businesses on the change of use of goods and services under the *VAT Act No.7 of 2012*.

Disclaimer These notes are for guidance only. They reflect the Law and the Department's position at the time of publication. They do not replace the Legislation or affect your Rights of Appeal about your tax position. If in doubt, consult the Inland Revenue Department, VAT Section.

Change of use of goods or services – valuation rule

If a registered person converts an entire good or service from use in a taxable activity to a different use and the person was allowed an input tax deduction in respect of the acquisition of that good or service, section 4(6) of the Act generally treats the change in use as a supply of goods or services in the course or furtherance of a taxable activity. Under section 20(4) of the Act, the value of the deemed supply is the lesser of the consideration paid or payable on the acquisition of those goods or services, or the fair market value of the goods or services when they are converted to a different use. For example, if a computer acquired by a registered person for business use for \$1,000 now is worth \$400, the transfer of that computer to an employee for personal use is a taxable supply with a value of \$400.

Change of use of goods or services - special rules

Input tax deduction disallowance - Under section 4(17) of the Act, the change in the use of goods or services by a taxable person is not a taxable supply if that person was not entitled to claim a deduction for input tax imposed and paid on the acquisition of those goods or services. As a result, the valuation rules under section 20(4) of the Act do not apply to a change in the use of such goods or services.

Cancellation of registration - Under section 4(21) of the Act, the cancellation of registration does not produce a taxable supply of goods and services on hand on the date of cancellation to the extent that input tax on the acquisition of those goods or services was not deductible. As a

result, the valuation rules under section 20(4) of the Act do not apply to a change in the use of those goods upon cancellation of registration.

Change of use of goods and services - conversion of part of the goods or services to a different use

This governs the value of a supply under section 20(5) of the Act, when part of a good or service is applied to a different use. If, in a transaction governed by section 4(6) of the Act, a registered person changes any part of the use of goods or services from use in a taxable activity to a different use, then generally, the change is treated as a conversion of the entire good or service to a different use unless the registered person establishes to the satisfaction of the Comptroller that less than the entire good or service was converted.

Exception - If a registered person converts 10 percent or less of a good or service to a different use, the change in use is not treated as a supply under section 4(6) of the Act. Changes within a 12-month period are aggregated for purposes of determining the portion of a good or service that was converted to a different use.

FOR FURTHER INFORMATION

For further information please contact the VAT Section at the following address:

The VAT Section
Inland Revenue Department
Manoel Street
Castries
Saint Lucia

Telephone No: (758) 468-2800

Email: vatinfo@vat.gov.lc

Website: www.vat.gov.lc