

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.

Each leaflet covers just one topic. Other leaflets you may find useful include:

What is VAT?

Should I be registered for VAT?

How to register for VAT?

After Registration

Basic Supply Rules

Mixed Supply Rules

Accounting for VAT

Reporting the VAT

Penalties and Offences under the VAT Act

VAT Legislative Overview

VAT and the Consumer

Filing VAT Returns

VAT Documents

Input Tax Deductions

VAT & Entertainment

Transitional Provisions

You can get further help and copies of forms and information leaflets from the Inland Revenue Department in Castries, Vieux Fort and Soufriere or The VAT Section, Manoel Street, Castries.

Basic Supply Rules For VAT



For further information contact us at:

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This leaflet serves as a guide to the requirements of the Value Added Tax (VAT) as it relates to the applicability of VAT to supplies made by registered businesses. It addresses the time of supply, the place of supply, the value of a supply and any adjustments to be made. The document is developed to determine what should be claimed as input tax and what should be reported as output tax in a taxable period by a taxable person and post supply adjustments including bad debts.

Time Of Supply

The time of supply with reference to the VAT Act refers to the period in which a supply occurred and when a taxable person is obligated to report the supply. In accordance with Section 18 (1) of the Act, a supply of goods or services occurs on the earliest of the date on which —

- (a) the goods are delivered or made available or the performance of services is completed;
- (b) an invoice for the supply is issued by the supplier; or
- (c) any consideration for the supply is received.

Different scenarios however may also incur which establishes the time of supply and when VAT becomes due such as credit agreements, lay-a-way plans and contracts.

A supply of goods under a credit agreement occurs on the date of commencement of the agreement.

A supply of goods pursuant to a lay-a-way plan occurs when the goods are delivered to the purchaser.

Goods supplied under a rental agreement or services supplied under an agreement that provides for periodic payments are treated as successively supplied for successive parts of the period of the agreement, and **each** of the successive supplies occur **when a payment becomes due or is received, whichever is the earlier.**

EXAMPLE: Taxpayer A visits Taxpayer B's warehouse on the 29/08/13 and pays for the goods to be delivered to his place of business at a later date, an invoice is remitted to Taxpayer A, dated 29/08/13. The goods are delivered to Taxpayer A on the 02/09/13. **The supply took place on 29/08/13** because this is the date the invoice was remitted.

Place Of Supply

A supply of goods takes place where the goods are delivered or made available by the supplier or, if the delivery or making available involves the goods being transported, at the place where the goods are when the transportation commences.

A supply of a service takes place at the location of the place of business of the supplier from which the services are supplied.

The supply of public entertainment or any cultural, artistic, sporting, educational, or similar activities, or services connected with tangible personal property, takes place where the entertainment or service is physically carried out.

Value Of A Supply

The value of a taxable supply is the basis for determining the VAT payable in respect of a supply. It is also relevant as it determines if a supplier is required to register for VAT.

The value of a supply of goods or services is the amount of the consideration for the supply.

Where a portion of the price of a taxable supply represents tax imposed by the VAT Act that is not accounted for separately, the value of the supply is the price reduced by an amount equal to the tax fraction multiplied by that price.

The tax fraction would be calculated as follows:

$$R / (I+R)$$

Where 'R' is the rate of VAT applicable to the supply and 'I' is equal to 100 as determined under the Act.

EXAMPLE: The Displayed Price of a taxable item is EC\$300 (INCLUSIVE OF VAT)
Using the Tax Fraction to determine the VAT charged - $R / (I+R)$
 $R = 15\%$
 $\$ 300 \times (.15/1.15) = \$ 39.13$
 $\$ 39.13$ is the value of the VAT charged
The value of the supply therefore is $\$ 300 - \$39.13 = \$260.87$

Post-Supply Adjustments

A VAT adjustment event occurs if:

- (a) the supply is cancelled;
- (b) the taxation of the supply changes because the nature of the supply is fundamentally varied or altered;
- (c) the previously agreed consideration for the supply is altered, whether due to an offer of a discount or for any other reason; or
- (d) the goods or services or part of the goods or services are returned to the supplier.

Post-Supply Adjustments For Bad Debts

A registered person is allowed an input tax deduction for tax paid in respect of a taxable supply made by the registered person where the whole or part of the consideration for the supply is subsequently treated as a bad debt.

The amount of the deduction allowed is the amount of the tax paid in respect of the taxable supply which corresponds to the amount of the debt treated as bad; including any recoveries.

The taxpayer claiming the deduction must ensure all efforts to recover the debt have been exhausted.

VAT On The Import Of Services

In addition to the import of goods, import is also made of services. The VAT stipulates that the importer must account for the VAT due **twenty** days after the end of the tax period during which the import was made to the Comptroller of Inland Revenue Department