

are likely to increase. However, in order to not have an adverse effect on the lives of vulnerable groups, some goods will be exempted from VAT and others will be taxed at a rate of zero percent. This means the final consumer will pay no tax on these goods.

Businesses: If you are a registered business you will pay VAT on your purchases from another registered business. You will charge VAT on the sales you make, but you can offset the VAT paid against the VAT collected. The difference is paid to or available for refund from Government.

If you are not registered for VAT, you will pay VAT on your purchases from any registered business. You cannot charge VAT or claim credit for any VAT you have paid.

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.

What is VAT?



For further information contact us at:

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What is Value Added Tax (VAT)

Value Added Tax or VAT as it is commonly known is an indirect tax charged on taxable imports and the added value to taxable goods and services, supplied by one business to another or to a final consumer.

VAT is designed to ensure that most forms of consumer spending are taxed evenly and fairly.

VAT is not a tax on the seller for it is the buyer who pays the tax.

VAT is not an additional tax but it will replace the following taxes:

Consumption Tax
Environmental Protection Levy
Motor Vehicle Rental Fee
Mobile Cellular Telephone Tax
Hotel Accommodation Tax

What is Added Value?

As goods and services progress through the production and delivery process extra costs are incurred. These costs include employee wages, transport, storage and other overheads plus profit mark up. Such expenses or charges represent the Value Added to the goods or services.

How and when is the tax charged?

VAT is charged when taxable goods are imported or when taxable goods and services are sold or provided.

VAT is added to the selling price of the goods or services. The VAT is, therefore, collected by the seller.

Can anyone charge VAT?

No! Only those businesses that are registered for VAT with the Inland Revenue Department (IRD) can charge VAT.

In order to charge VAT, a business must meet a particular Threshold. The threshold is the minimum sales of taxable supplies for a business in one year.

The threshold for Saint Lucia is \$180,000.00.

If you are a VAT-registered business, you will:

- Charge VAT on the goods and services you provide that are taxable and
- Claim the VAT you pay when you buy goods and services that are taxable for your business.

If you are not VAT-registered you cannot claim the VAT you pay when you purchase goods and services.

VAT is charged when a VAT-registered business sells to;

- Another business
- An individual
- Government

What is the rate at which VAT is charged?

There are three rates of VAT, depending on the goods or services the business provides. The rates are:

- STANDARD** - fifteen per cent (15%)
- REDUCED** – eight per cent (8%) on goods and services provided by hotels (until April 2013)
- ZERO** - Zero per cent (0%)

Which business should register?

Not all businesses need to register for VAT. However, Businesses with annual taxable sales in excess of \$180,000.00 must register.

Please ask for leaflet "Should I Be Registered for VAT?" which deals with this question in detail.

How do I account for the VAT that I have collected?

As a VAT-registered taxpayer you will have to submit a VAT Return at monthly intervals on or before the 21st of the next month - the return will show:

- The VAT you have charged on your sales to your customers in the period, known as **output tax**.
- The VAT you have paid on your local purchases and to Customs, known as **input tax**.

If the output tax exceeds the input tax, you are required to pay the difference to the IRD along with your return.

If the input tax exceeds your output tax, you will be in a credit position. This credit can be used to offset VAT outstanding in subsequent filing periods.

Generally you cannot register for VAT or claim the VAT on your purchases if you sell only exempt goods or services.

If you sell both exempt and taxable goods and services, you will have to apportion your input tax deduction. Where more than ninety percent (90%) of your sales are taxable the full input tax is deductible.

How does VAT differ from the Consumption Tax (CT)?

Both VAT and CT are taxes on consumption. However, each time CT is charged some of the tax is imposed on tax paid previously. This is known as 'cascading'.

The tax element, in the final price, may have increased significantly as the goods pass through the chain of sales and exchanges.

Under the VAT system, tax is charged **ONLY** on the value added at each stage of production or supply chain.

Are there any benefits from changing to a VAT system?

Yes! VAT will improve, simplify and modernize our tax system.

Businesses that are registered for VAT (known as taxpayers) will be able to set off the VAT they have paid on purchases, against the VAT they have charged on sales. Only the difference is paid to the IRD. Any excess may be available to set against future VAT liability or for repayment.

The flow of tax to the Government will be improved, since tax is collectible and payable at each stage in the transfer of goods or the supply of services.

How will VAT affect me?

Final Consumers: because VAT replaces and reduces the number of indirect taxes on the goods and services you currently buy or use, the final price of most goods and services may be reduced or remain the same. The prices of goods and services which currently have little or no taxes