



VAT Simplifying the collection of Tax.

PRESS RELEASE

For Immediate Release

LOWER CORPORATE TAX, INCREASED PERSONAL ALLOWANCE TO CUSHION VAT IMPACT

Castries, May 22, 2012; As the VAT regime will widen the tax base and render the tax collection system more efficient so as to limit non-compliance, a number of new provisions have been articulated that will ease the burden on various taxpayer groups without discrimination.

Corporate income tax, will be reviewed with promised reductions which should be welcomed by the business sector. A definitive rate will be announced subject to the completion of an impact assessment, once the Valued Added Tax has been implemented in September this year.

This disclosure is contained in the Prime Minister's Budget Address, which is published on the Government website along with the VAT Bill, for public perusal.

For persons in the lower income bracket, the Personal Income Tax Allowance will be increased from is \$17,000 to \$18,000 effective January 1st 2013. An estimated 500 persons will automatically be removed from the tax net, while the tax burden will be reduced for hundreds of others whose annual incomes are above the new threshold. Translated, this means relief from direct taxation and consequently more disposable income for all taxpayers.

The objective, the Prime Minister said, is to minimize the effects of the VAT on the cash flow position of tax payers.

“VAT will be replacing a number of existing taxes and, consequently, its impact will be cushioned and it may not necessarily result in higher prices in all cases.” Prime Minister Anthony also said.

He reported that based on analyses conducted by the VAT Office, the net effect of the VAT is likely to result in more items not having additional taxes than those for which taxes will increase.

Together with a compassionate basket of zero rated and exempt goods that includes many everyday food items, the public transportation system, basic utilities, education and some health services, life as many know it, may in some instances exhibit little remarkable change.

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