SAINT LUCIA

Preparing for VAT Implementation

Preparing for VAT Implementation

The introduction of VAT and its implementation within your business could have a wide-ranging effect. VAT is not simply a tax issue - it is a business issue. It affects some of your business functions and can impact financials, including cash flow.

The challenge is to identify and address all business issues during the VAT implementation process and minimize, to the extent possible, any disruption to your business.

It is critical to be compliant with the VAT Law and Regulations. A structured and strategic approach ensures an efficient implementation, which takes into account your specific business issues while ensuring ongoing compliance with VAT legislation

All businesses and service providers that are required to register for VAT should urgently begin to put the necessary internal systems and procedures in place to account for VAT.

Business persons who have an integral role to play should intensify their pre-implementation procedures, and begin to put the necessary systems in place to position their businesses to be VAT-ready.

Guidelines for Businesses

1. **Impact**

Business owners should identify and analyze the impact of VAT on their businesses, develop an implementation plan, estimate costs and allocate resources.

2. **Adjust business structure**

Adjust business processes and structure, adapt/change systems, review arrangements with suppliers and customers, educate and train staff, suppliers and customers

3. **Registration**

Businesses are reminded that registration is compulsory for those businesses that have met or are expected to meet the prescribed threshold -of $180,000. The VAT Act will give the necessary power to the Comptroller of Inland Revenue Department (IRD) to retroactively register persons who fail to apply for registration and have them account for the tax that should have been collected.

4. Getting Ready

	Area	
A.	**Be informed**	• Get information on how VAT operates; • What items will be subject to VAT; • Registration requirements including registration date; and • Attend seminars
B.	**Registration**	• Determine if the goods or service you provide will attract VAT • Determine if your business is making the - annual gross taxable sales per year of $180,000. • If yes to both, you must apply for registration by the prescribed date; • Applications for Registration form are available at all offices of Inland Revenue Department and the VAT Office. • Get all your business registration documents ready; store them somewhere safe and easy to retrieve. For example: Company registration document, including documents relating to directors.
C.	**Taxable nature of goods & services**	• Businesses must be able to separate goods and services which are going to be taxed at the standard rate from those which will be taxed at zero percent, other lower rate or exempted.
D.	**Accounting system**	• VAT registered taxpayers will need to prepare well in advance and put appropriate systems in place for fulfilling their obligations under the VAT Act. This will be particularly important for businesses relying heavily on computer-based systems for accounting and management control purposes. Computer systems may need to be adapted and tested in good time to ensure a smooth change-over on the date VAT comes into effect.

	Area	
		• Determine if your present accounting and cash registers are capable of accounting for VAT. Is it capable of separating transactions as noted in "C" above?
E.	**Records & Accounts**	• If you are required to registered for VAT, good record keeping is of utmost importance; • Every person who is registered to collect VAT is required to keep accounts, books and records as will be prescribed under the law and to produce the relevant accounts, books and records whenever and wherever they are required to do so by the Comptroller; • The records will be required to be kept in **English**, quoted in **EC currency** and kept for **six years**; and • They must be kept in their original format or as prescribed or permitted by the Comptroller.
F.	**Invoices**	• Invoicing has a special significance under a VAT system. As invoices provide the means for verifying VAT amounts due/ payable and amounts claimed as input tax, they are the essential basis for administering VAT. VAT-registered taxpayers are required to issue a Tax Invoice for every taxable supply made to a VAT registered person; • Know the basic requirements/information that is needed for a tax invoice or receipt; • If you are using a pre-printed invoice book, do an inventory to ascertain how many you have and if they can carry you to the date of implementation. Try to avoid unnecessary cost by printing books, shortly before implementation, which are not VAT compliant. • Examine your current invoices/receipts to ascertain if they carry the basic information. Note that most invoices carry basic information.

	Area	
		The main additional information will be the "Tax Identification Number (TIN)" for both the supplier and recipient, the word "TAX Invoice", and the amount of tax charged to the customer/client; • you have a large inventory and the invoices carry the basic information, you can ask the Comptroller if it permissible for you to buy a stamp which can be used to add the TIN and the "Tax Invoice". Further information on invoices can be found in Section 5.
G.	**Cash register**	• If you are currently using a cash register, ascertain whether your existing cash register can be modified to provide the required information; • If yes, identify how long it will take to reprogram; • If it cannot provide the basic information, you should consider purchasing a new one; • Ideally, the cash register should be able to account for different taxable transactions, including exempt sales
H.	**Point of sale system**	• If you are using a point of sale system, ascertain if the existing system can be programmed to provide the required information for a tax invoice, sales receipt and different taxable transactions; • Ascertain if it can be programmed by you or if you need a programmer or the developer to reprogram it; • Ascertain the length of time it will take to re-program
I.	**Inventory**	• Start analysing your current inventory; • Identify those which may be subject to tax, zero-rated or exempted; • Identify those items that have a quick turnover rate and on which you may have paid

	Area	
		consumption tax; • For the slow moving items which contain existing taxes to be replaced by VAT, e.g. consumption tax, you may want to consider offering some sales discount to reduce your stock of these items; • Avoid making large orders of new stock (goods that attract consumption tax) prior to the introduction of the VAT, particularly slow moving stock. If you are a large importer of stock, consider using the Customs bonded warehousing facilities and remove stock from the bond as needed. • The idea is to minimise the double taxation effect on these items; • If your items are priced for shelf display and it is possible to reduce the inventory, do so in order to avoid having too many goods to re-price
J.	**Re-pricing**	• If you are a retailer, operating a supermarket or similar type business, you may want to start thinking of how best to handle the implementation with respect to re-pricing. Items which are tagged and shelf displayed will have to be re-priced if the price changes with the introduction of the VAT. This can be time consuming and will depend on how many items needed to be tagged. Note the prices are to be tax-inclusive. • If you offer service, then this may not be as difficult.
K.	**Product identification & display**	• You should be knowledgeable of the tax treatment of the goods/services which you supply, i.e,, whether they are taxable at the standard rate, zero-rated, or exempted; • You may have to put systems in place to assist your customers/clients to identify the different

	Area	
		categories, i.e. goods/services that are taxable at the standard rate, zero-rated or exempt. Display signs, tax codes, colour codes may be used to identify the respective categories.
L.	**Staff sensitisation**	• Your staff should be sensitised, as they should be able explain the basic aspect of VAT to their customers/clients; • The cashiers should be able to identify the category of items in the event that your support system fails. Training of cashier is paramount. • The accounting staff needs to know how to account for the daily transactions and how to complete and file the VAT return
M.	**Talk to customers/clients**	• Your customers/clients need to fully understand the implications of the new tax; • They need to understand how the tax will affect existing contracts or contracts being negotiated.
N.	**Transition provisions**	• With the implementation of VAT, there will be some implications for existing contracts, or contracts being negotiated or existing inventory. For inventory, see note ”I” above. • Where a contract was concluded between two or more parties before the implementation, and no provision relating to the new tax was made in the contract, the supplier may recover from the recipient the tax due on any taxable supplies made under the contract after the date of implementation; • If the contract is concluded after the implementation and it does not include a provision relating to the tax, the contract price is deemed to include tax and the supplier under the contract is required to account for the tax due;

	Area	
O.	**Cash flow/ pricing effect**	• VAT may also have implications for cash flow and costing/pricing arrangements in some businesses. For example, in a business where most inputs are purchased on credit terms and most sales are for cash, there would be cash flow benefits since the tax collected on sales would in effect provide a low-cost solution for working capital needs. Conversely, if purchases are mainly made for cash and most sales are on credit, there would be adverse cash flow effects. These negative or positive cash flow effects would have cost implications which might, in turn, require some adjustment of selling prices, depending on competitive conditions. The prices charged for goods or services newly subject to tax under the VAT system may also need to be reviewed by those concerned with making such supplies.

5. TAX INVOICE

A. Over view

An invoice is a document which notifies a purchaser of an obligation to make a payment. A tax invoice is one of the most important documents in a VAT system. It contains additional information which is not normally found on an ordinary invoice. The additional information is a requirement of the VAT Act.

B. What is a Tax Invoice?

A Tax Invoice is a ***document*** issued by a VAT registered person to another VAT registered person indicating that a taxable supply has been made and that VAT has been charged on the value of the goods/services being supplied.

C. Who can issue a tax invoice?

A tax invoice can only be issued by a person who is registered to charge and collect VAT.

Whenever a VAT registered taxpayer sells goods or services, which are subject to VAT to another VAT registered taxpayer (purchaser), the supplier, must issue to the purchaser a tax invoice showing, among other details, the amount of tax charged on what is being supplied.

<u>D. Why is it important to issue tax invoices?</u>

Tax invoices are used to record sales and purchases between VAT registered taxpayers. A tax invoice serves four main purposes:

i. it establishes the time of supply when issued;
ii. it serves as evidence of transacting business between two registered taxpayers and how much VAT is charged;
iii. it serves as a reference for cross-checking, which is one of the main features of the tax credit method of a ***value added tax*;** and
iv. importantly, it is the principal evidence to support the registered purchaser's claim for input tax.

A VAT registered taxpayer should ensure that he receives a tax invoice when he makes a purchase from another registered taxpayer. He will be able to support his claim of the VAT he paid on purchases for his business, but he must keep the tax invoices he received. Similarly VAT invoices myust be issued to ensure registered taxpayers claim their input tax.

<u>E. What information should be included on Tax Invoice?</u>

A tax invoice shall contain the words, "**TAX INVOICE"** in bold letters at the top or at any prominent place and shall also contain the following details-

i. the term "**Tax Invoice**";
ii. the supplier's and purchasers Tax Identification number (TIN), name and address;
iii. date of supply;
iv. quantity, description of goods or services, unit price of items;
v. the rate and amount of any cash discount offered;
vi. total consideration, excluding tax;
vii. tax rate
viii. total tax charged; and
ix. total price payable by the recipient.

Therefore, a tax invoice is simply a normal commercial bill or invoice with the following additional pieces of information:

- the words **<u>"Tax Invoice";</u>**
- the VAT registration numbers (TIN) for the supplier and the recipient;
- the rate and amount of tax applicable; and

the total value of the invoice including tax.

A simpler version of the tax invoice should be used when VAT registered persons sell to unregistered customers/clients. It is called a ***"sales receipt".*** The sales receipt should contain the following information.

i. the words "VAT **Sales Receipt"** in a prominent place;

ii. the name, address and TIN of the supplier;

iii. the date on which the sales receipt is issued;

iv. a description of the goods and services supplied, including the quantity or volume as applicable and, if necessary to identify the supply, the date on which the supply was made (time of supply);

v. the total consideration for the supply (including VAT); and

vi. the amount of VAT charged

Remember: A person shall not issue a false tax invoice or sales receipt as it is an offence resulting in severe penalties.

F.Time of Supply

This is the time when a supply of goods or services is treated as taking place. 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.

Example 1

A Tax Invoice

Sales Invoice No. 175

VAT Registration No. 987 6543 21

From: ***The Business Approach Ltd***
Church Street, Soufriere, St. Lucia

To: ***The Other Ltd***
57 North Road, Vieux Fort, St. Lucia
VAT Reg. No. 9876624 22

Date 16/09/2012

Quantity	*Description & Price*	*Unit Price*	*Amount Excl. of VAT EC $*	*VAT Rate %*	*VAT Net EC$*
6	Radios, (am, fm band)	52.5	315.00	15.00	47.25
4	mp 3 players	102.5	410.00	15.00	61.50
6	nickel base standing lamps	350	2,100.00	15.00	315.00
	Delivery (strictly net)		10.00	15.00	1.50
		Net	2,835.00		425.25
		VAT	425.25		
		Total	3,260.25		

Terms : Cash discount of 5% if paid within 30 days

Example 2

	TAX INVOICE		
	Computer Accessories	**TIN: 23457**	
	T/A Best Computer Services 8 King Street	Date:11/08/2012	
	Vogue Ltd TIN: 77654		
	89 Young Street		
		Inv# CA-B345	
Qty	**Description**	**unit price**	**Total**
5	computer key board	334.00	1,670.00
3	printer covers	50.00	150.00
5	computer screens	350.00	1,750.00
7	17" monitors	540.00	3,780.00
1	mouse pads	35.00	35.00
	Sub-Total		**7,385.00**
	less 10% discount		738.50
	Total		**6,646.50**
	Tax @ 15%		996.98
	Total price		**7,643.48**
	sample invoice - indicating treatment of cash discount		
	prices are tax-exclusive		

Example 3

TAX INVOICE

MILLS Wholesale
8 High Street

TIN: 23457

Date: 09/23/2012

G & B Grocery TIN: 2384

89 Young Street

Inv# 0035

Qty	Description		unit price	Total
15	lb rice	X	5.00	75.00
10	lb sugar	X	7.50	75.00
12	pk milk	X	10.00	120.00
12	bread	X	3.00	36.00
24	soda	T	8.00	192.00
24	malta	T	12.00	288.00
36	bath soap	T	5.00	180.00
24	lotion	T	6.50	156.00
24	shampoo	T	15.00	360.00
12	hair oil	T	4.50	54.00
48	pens	T	2.00	96.00
48	pencils	T	1.00	48.00
	Sub total			**1,680.00**
	Tax @ 15%			***206.10***
	Total price			**1,886.10**

price - tax exclusive
Code is used to identify type of product:
Z for zero-rated; X (E) for exempt & T- for standard rated

Example 4

TAX INVOICE				
	MILLS Wholesale	**TIN: 23457**		
	8 High Street		***Date: 09/23/2012***	
	G & B Grocery TIN: 2384			
	89 Young Street			
			Inv# 0035	
Qty	**Description**	**unit price**	**Total**	**Tax**
15	lb rice	5.00	75.00	
10	lb sugar	7.50	75.00	
12	pk milk	10.00	120.00	
12	bread	3.00	36.00	
24	soda	8.00	192.00	28.80
24	malta	12.00	288.00	43.20
36	bath soap	5.00	180.00	27.00
24	lotion	6.50	156.00	23.40
24	shampoo	15.00	360.00	54.00
12	hair oil	4.50	54.00	8.10
48	pens	2.00	96.00	14.40
48	pencils	1.00	48.00	7.20
	Sub -Total		**1,680.00**	**206.10**
	Tax @ 15%		***206.10***	
	Total price		**1,886.10**	
This sample invoice shows the tax separately				

Example 5

TAX INVOICE				
	MILLS Wholesale 8 High Street		**TIN: 23457**	
			Date: 12/23/2010	
	G & B Grocery TIN: 2384 89 Young Street			
			Inv# 0035	
Qty	**Description**		**Unit price**	**Total**
15	lb rice	X	5.00	75.00
10	lb sugar	X	7.50	75.00
12	pk milk	X	10.00	120.00
12	bread	X	3.00	36.00
24	soda	T	9.20	220.80
24	malta	T	13.80	331.20
36	bath soap	T	5.75	207.00
24	lotion	T	7.48	179.40
24	shampoo	T	17.25	414.00
12	hair oil	T	5.18	62.10
48	pens	T	2.30	110.40
48	pencils	T	1.15	55.20
1	transportation of goods	T	28.75	28.75
	Total price			**1,914.85**
	Tax @ 15%			**209.85**
	Taxable amount			**1,608.85**
	Unit prices are tax-inclusive Code is used to identify type of product: Z for zero-rated; T- for standard rated; X for exempt			

Note: the tax is computed by applying the tax fraction to the total taxable amount
*Total price * (r / (1 + r)) =➔ $1,608.85 * (0.15 / 1.15)*

NB: your cash register or Point of Sale system can be programmed to computed the tax and taxable value if the prices are input as tax-inclusive

6. Recording Key information

i) Recording Sales;

Sales invoices must be recorded in your sales day book. A summary of the invoices applicable to the period in which you are preparing your VAT return must be maintained.

Your summary should be in the same order as your invoices and show separate totals for:

- VAT on your sales
- VAT-exclusive values of what you have sold
- Any exempt sales
- Any credits allowed to your customers.

If you give any goods away or take any goods from your stock for private use, you must record:

- What the goods were
- The date you took them from stock
- The rate and amount of tax chargeable
- Their VAT-exclusive cost.

Each tax period you must add up the VAT shown in these records and transfer it to your VAT account as output tax.

Remember- If you allow a credit to a customer, any VAT on the credit note will reduce the amount of VAT you have to pay in the tax period in which you issue the credit note.

ii) Treatment of Export Sales

Where goods are exported, the registered person is required to hold evidence that the goods have been exported. This will include, for example:

- contracts;
- copies on invoices;
- freight and packing details;
- custom export documents
- evidence of payment for the supply.

If services are supplied to a non-resident who utilise that service outside of St. Lucia, or are zero-rated because they were supplied under conditions which rendered them so, the registered person should keep records to show that the services provided were zero-rated. These include:

- contracts;
- tax invoices, invoices or sales receipts;
- evidence of payment for the supply.

iii) Bad Debt

It is quite common for businesses to pay output VAT before they have received payment from their customers. If the amount due from the customer is later classified as a Bad Debt, a business is allowed to make an adjustment to reclaim the VAT paid on sales, subsequently deemed bad.

Business making bad debt adjustments must keep records for six years, from the date of the claim to show;

- The time and nature of supply, customer's name and consideration- normally a VAT invoice will show this.
- The amount of VAT and the accounting period it was paid.
- Any payment received from customer to date
- The provision made for the bad debt.

iv) Recording Purchases;

Your supplier's tax invoice will give you all the details you need. A summary should be maintained of the invoices in the same order as you keep them. You can make a list of the invoices as you receive them or you may be able to adapt your cash book to serve as a summary of purchases if you want to deduct input tax as you pay your suppliers. You may find it useful to number the invoices and record the same numbers against the entries in your summary. Your summary must show separate totals for:

- VAT that you were charged on your purchases
- VAT-exclusive values of your purchases
- VAT on imports (Paid to customs & Excise)
- Any credits received from suppliers

If you receive a credit from a supplier, any VAT on the credit note will reduce the amount of tax you can deduct in the tax period in which you have received the credit note.

You must also have a separate record of any business purchases on which you are not able to claim input tax, for example, cars and business entertainment expenses.

(You should provide your supplier with your VAT registration number to be included on any invoice issued to you.)

Each tax period you must add up the VAT that you can deduct as input tax and transfer it to your VAT account.

Remember that if you are deducting VAT

- You must have a proper tax invoice, and

- The purchase must be made for business purposes.

v) Recording your Imports

VAT is payable at the time you import goods or remove them from warehouse (in case of a bonded warehouse). To reclaim VAT you pay on imports or goods removed from the bonded warehouse, you must have official evidence (found on your customs declaration) of the value of the goods. You must show the VAT on imports as a separate total in your purchase records.

7. Keeping Records and Accounts

Legal Requirements

Every person who is registered to collect VAT is required to:

a) Keep accounts, books and records as prescribed under the law;
b) Produce relevant accounts, books and records whenever and wherever they are required to do so by the Comptroller of Inland Revenue;
c) Produce any other information as may be required or as may be prescribed;
d) The accounts, books, records and other information relating to the taxable business **must be kept in and English, E.C. currency and in Saint Lucia for six years.**

What Records should a business maintain?

Records must be kept of all goods and services supplied by or to the registered person showing sufficient detail to enable the goods and services, and the suppliers or the agents, to be readily identified by the Inland Revenue Department. All invoices, tax invoices, sales receipts, credit notes and debit notes relating to those supplies must be kept.

The records must be kept in a form, and contain information, which will enable the Comptroller to determine a registered person liabilities and obligations under the Act; or the amount of any rebate or refund to which the registered person is entitled.

The records must be completely up-to-date and must easily relate to the figures shown on the tax return for each tax period. A tax period is a calendar month.

Examples of books and records include:

- Certificate of Registration
- Tax invoices;
- Sales receipts;
- Cash register tapes and summary receipts;
- Tax debit and credit notes;
- Purchase invoices/import and export documents;
- Purchases & sales day books;
- Order and Delivery books;
- VAT account;
- Export documents;
- Day book, daily transaction summary;
- Non-taxable Credit and debit notes;
- Charts and code of accounts;
- Accounting instruction manuals;
- stocktaking figures (Inventory)
- list of debtors and creditors;
- list of assets and liabilities;
- Financial statements;
- Computerized records including, system and programme documentation which describes the accounting systems maintained on a computer, computer tapes, disks and other similar devices;
- Bank statements, paying in slips or deposit books and cheque book stubs duly completed; and
- Any other information relating to the taxable business and related businesses.

How long should I retain these records?

A registered person must keep these books and records for at least six (6) years from the end of the tax period to which they relate. Where the accounts are produce and kept by means of a computer record, all documents, disks, and tapes are to be stored in a manner so as to preserve all such information. All changes made and the dates they were made should be noted in chronological order.

How am I to treat goods given away, taken for personal use or divert to an exempt activity?

A registered person must keep a record of goods given away, taken for own use, transferred to non-taxable activity if these goods have been acquired or produced, for the purpose of making a taxable supplies. These records must contain the following information:

- the recipient of the goods;
- date they were taken from stock or utilised;
- the description and quantity of the goods;
- the cost of the supplies and the tax to be paid on it.

Why should a taxpayer keep proper records?

<u>Definition of Records</u>

For the purpose of the VAT Act & Regulations, the term ***<u>records</u>*** includes books of account (whether contained in manual, mechanical or electronic format) which record all transactions relating to the operation of the business

There are several reasons for a taxpayer to keep proper records:

a) Accurate records will help you to have better control of your business. They help to determine whether your business is making enough money to meet its expenses.

b) You'll also have a better idea of how well your business is doing during the year, rather than finding out when you finally get your books done at the end.

c) Good records increase your chances of getting financing or funding and make it easier for others to know whether to invest in your business.

d) When it's time to complete your corporate income tax return and VAT returns, all the information you need, will be readily available. You'll find the more up-to-date your records are, the quicker you'll get through your tax returns and paperwork.

e) An Inland Revenue Department audit will be quicker and less disruptive if all the information is easy to find. Once you are in business it is expected that you will be audited at some stage.

f) Proper record keeping serves as a history of various transactions conducted by your operation. It also facilitates the information process and can assist management in making informed decisions.

g) Importantly, it is a legal requirement to keep proper books and records. This is a requirement by the Value Added Tax Act (VAT Act), and possibly other legislations.

h) It is the best tool to guard against fraud and employee's theft.

Keeping computerized records

It is common for business records and accounts to be kept on a computer and there are no special VAT rules about using a computer. The Inland Revenue Department does not recommend any particular package as suitable for your needs, however, you must ensure that the system you are using is compliant with VAT regulations and reflects all the prescribes accounts for VAT, and allows officers to view your records as and when required.

8. THE VAT ACCOUNT

A VAT account is simply a summary of your output and allowable input tax for each tax period (monthly). It is a separate record you must keep of the VAT you charge on your sales (output tax) and the VAT you paid on your purchases (input tax).

It provides the link between your business records and your VAT return.

You need to add up the VAT in your records regularly and enter the totals in your VAT account with separate headings.

The VAT account has two parts. One part summarizes the totals of output tax for each prescribed accounting period, including every error or adjustment that is required or allowed. The other part summarizes the total of input tax for each prescribed accounting period, again including every error or adjustment that is required or allowed.

You can keep your VAT account in whatever way suits your business best, as long as it includes the following information about the VAT that is

- Due on sales
- Due following a correction or error adjustment
- Claimable from your business purchases
- Claimable on acquisitions
- Entitled to following a correction and error adjustment
- Adjustment for Bad Debts

For most operations, it is advisable that a daily worksheet is used to record the summary of the daily sales, the amount of VAT you have charged and the amount of VAT you've been charged. A summary of the tax transaction is then transferred to a VAT account.

Example 6 – Sample - Output VAT worksheet

Date	Invoice #	Supplies / Sales				Output tax	Total
		Standard -rate	Other rate	Zero-rate	Exempt		
Total							

The above sales can either be VAT-inclusive or exclusive. However, the VAT return indicated that the sales should be VAT inclusive.

These totals should be transferred to the VAT account / worksheet or return

Example 7 – Sample -Input VAT worksheet

INVOICE/Custom DATE	INVOICE/ Entry	SUPPLIER'S TIN#	SUPPLIER	TAXABLE VALUE	VAT	TOTAL
Total						

These applicable totals should be transferred to the VAT account/ worksheet or return

You can use the information from your VAT account/worksheet to complete your return at the end of each accounting period. You subtract your input VAT from your output VAT, to give you the net amount of VAT you have to pay to or reclaim from the Inland Revenue Department.

Example 8- VAT Account;

THE BUSINESS APPROACH LIMITED, VAT ACCOUNT, January 1 – 31, 2010

INPUT VAT	$	**OUTPUT VAT**	$
VAT on imports	20 000	VAT on sales	50 000
VAT on local purchases	10 000	VAT on goods - personal use	200
VAT on business inputs	1 000	VAT on bad debts recovered	500
VAT on services	3 000	VAT on credit notes received	300
VAT on credit notes given	100		
TOTAL INPUT VAT	34 100	TOTAL OUTPUT VAT	51 000
		LESS: TOTAL INPUT VAT	34 100
		NET VAT PAYABLE	16 900

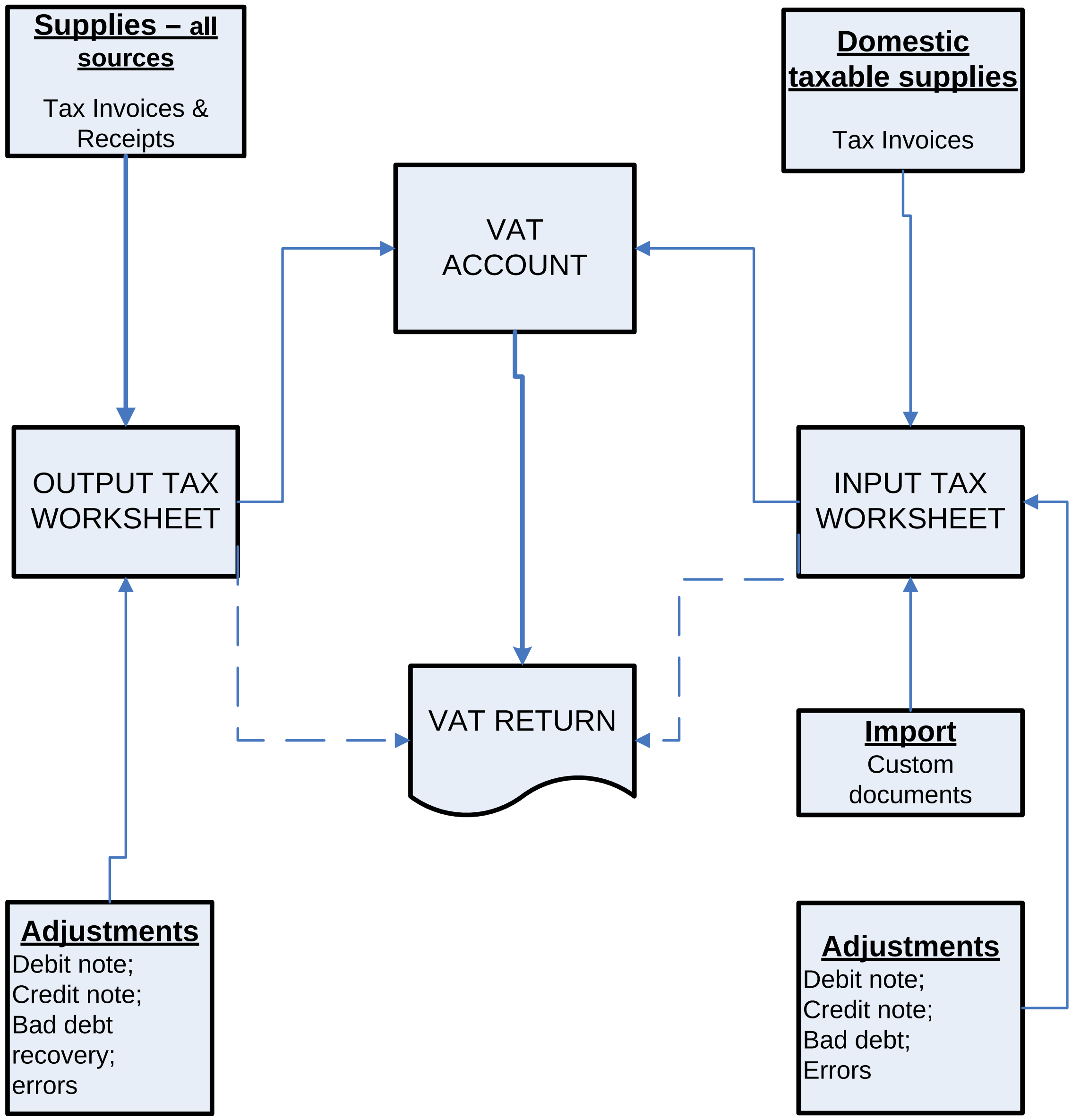
Remember every VAT registered business must retain a VAT Account.

Penalties

You should be aware that there are penalties for:

a) failure to keep proper records;
b) failure to file returns on time;
c) failure to issue tax invoices

An Operational Overview of VAT within a Business



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