VALUE ADDED TAX GUIDE

GOVERNMENT OF SAINT LUCIA
INLAND REVENUE DEPARTMENT
VALUE ADDED TAX (VAT)

TABLE OF CONTENTS

INTRODUCTION

This guide is to provide information to educate and assist registered taxpayers, unregistered taxpayers as well as final consumers. The guide provides information on the features of the VAT, how it works, who should register and charge the VAT. It also provides information on the payment and filing procedures as well as the treatment of imports and exports, assessments, objections and the books and records to be kept.

The VAT Section will also provide more detailed information on any issue not fully addressed in this guide and can contacted at:

Tel: 1(758) 468-1420
Fax: 1 (758) 452 4984

Email: vatcoordinator@vat.gov.lc
vatinfo@vat.gov.lc

Website: www.vat.gov.lc

<u>CHAPTER 1</u>

VALUE ADDED TAX BASICS

1.1 What is Value Added Tax (VAT)?

Value Added Tax is a tax on consumption and is collected at the different stages of the production/distribution chain. VAT is payable on importation at the Customs & Excise Department and on subsequent domestic business transactions by businesses and final consumers to registered businesses. The registered businesses pay the difference between the VAT collected and allowable VAT paid to the Inland Revenue Department if an amount is due.

The VAT Act defines a business as follows:

> **Any business, profession, trade, venture or undertaking and includes the provision of personal services or technical and managerial skills and any adventure or concern in the nature of trade but does not include any employment.**

Business transactions which are liable to VAT are called taxable supplies, are chargeable at the standard rate, reduced rate or are zero-rated. Those that are not liable to VAT are called exempt supplies.

1.2 How does VAT Work?

A registered person (individual business, partnership or corporation) who makes taxable supplies of goods and services of EC $180,000 per annum or more, or any person that has been carrying on a business for less than twelve (12) months and the average monthly value of taxable supplies was EC$15 000 .00 is required to register for VAT.

Only registered persons can charge VAT on their supplies as output tax and claim credit on their purchases of supplies as input tax.

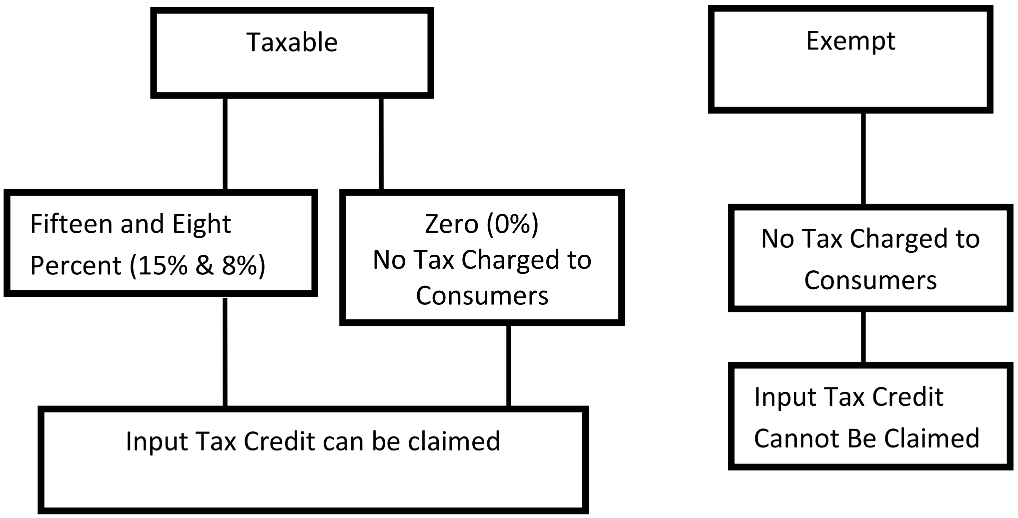
HOW THE VAT WORKS

VAT charged on sales	**Minus**	**VAT** paid on purchases	=	**VAT** Payable or Refundable
(Output Tax)	**-**	**(Input Tax)**		

The registered taxpayer will charge VAT on the sale of his taxable goods and services and pay VAT on his imports and/or purchases. If the VAT charged on supplies (sales) is more than the VAT paid on inputs (purchases), the difference is to be paid to the Inland Revenue Department. If the VAT paid on imports/purchases is more than that received from sales the excess credit will be entitled to be carry forward to the following tax period. If after three consecutive tax periods an excess remains the amount of the excess would be refunded on the registered person’s request.

Note: The Inland Revenue Department will first verify the claim of the amount to be refunded.

TAXABLE AND EXEMPT GOODS AND SERVICES



The zero-rated supplies are listed in the First Schedule of the VAT Act.

Input tax paid can be claimed on all taxable supplies as well as other allowable business inputs.

Registered taxpayers making exempt supplies cannot charge VAT or claim the input tax paid on those supplies. The list of exempt supplies is detailed in the Second Schedule of the VAT Act.

1.3 The Collection of VAT on a fully Taxed Supply

<u>Importation</u>

The Comptroller of Customs:

- Shall collect, at the time of import and on behalf of the Comptroller of Inland Revenue, any tax due under the VAT Act on importation of goods and at that time, obtain the name and taxpayer identification number, if any, of the importer, the import declaration and invoice values in respect of the import; and

- May make arrangements for such functions to be performed on his or her behalf in respect of imports through the postal service.

Where tax is payable on importation; the importer shall, upon entry, furnish the Comptroller of Customs with an import declaration and pay the tax due on the import. The provisions of Customs Control and Management Act, relating to the import, transit, coastwise carriage, clearance of goods and payment and recovery of duty **apply where relevant**, to the VAT charged on the import of goods, with such exceptions, modifications and adaptations as the Minister may by regulations prescribe.

An import declaration must;

- Be in the form approved by the Comptroller of Customs;

- State the information necessary to calculate the tax payable in respect of the import and;

- Be furnished in the manner specified by the Comptroller of customs.

In the absence of the above requirements, the Comptroller of Customs may exercise the powers by the Customs Control and Management Act in the event of the above exceptions in reference to duty with regards to tax charged on imported goods.

Importation of services attract VAT similarly however, payment must be made to the Comptroller of Inland Revenue twenty days after the end of the period.

Below is an illustration on how VAT is charged on an import up until it reaches the consumer;

To: Customs Department **To:** Inland Revenue Department

$15.00	+	$3.00	+	$7.20	+	$12.60	=	$ 37.80

Importer → **Wholesaler** → **Retailer** → **Consumer**

Importer	Wholesaler	Retailer	Consumer
Cost : $100	Cost : $120.00	Cost: $168.00	Cost:$289.80
Mark-up : 20	Mark-up: 48.00	Mark-up: 84.00	
VAT : 18	VAT : 25.20	VAT :37.80	
Taxed Price: $138	Taxed Price $193.20	Taxed Price $289.80	

$18.00 - $15.00 = $3.00

$25.20 - $18.00 = $7.20

$37.80 - $25.20 = $12.60

IMPORTER

At importation, the importer pays to the Customs & Excise Department **$15.00** which is the 15% VAT on the $100.00. The item is marked-up by twenty percent (20%) which amounts to $20.00 and charges 15% VAT on the $120.00 which amounts to VAT of $18.00. The total selling price of the item to the wholesaler is thus $138.00.

The importer pays to the IRD $3.00 on the 21st of the following month, being the difference between the Output VAT collected ($18) when he sells to the wholesaler, and the Input VAT ($15) paid to the Customs and Excise Department.

WHOLESALER

The wholesaler pays $138.00 for the item, however since he is allowed to claim the $18.00 paid as input tax, his mark-up should be on the $120.00 instead of the $138.00.

A mark-up of $48.00 is added; thus the retailer's cost is **$168.00**. The input VAT at 15% amounts to $25.20 making the selling price $ 193.20.

The wholesaler pays to the Inland Revenue Department **$7.20**, this being the difference between the input VAT on purchases of $18.00 from the importer and the output VAT on sales of $25.20 to the retailer.

RETAILER

The total cost to the retailer is $193.20 however since he is allowed to claim the input VAT of $18.00, his mark-up should only be on the $168.00. A mark-up of $84.00 is added; the selling price amounts to $289.80 inclusive of the fifteen percent VAT of $ 37.80.

The retailer pays into the Inland Revenue Department **$19.80**, being the difference between the input VAT paid of $ 18.00 to the wholesaler and the output VAT on sales of $ 37.80 collected from the consumer.

CONSUMER

VAT in the final analysis is borne by the final consumer in the selling price of $289.80 amounting to $37.80.

The total tax collected by the Government of Saint Lucia at the end of the distribution chain from the importer to the consumer amounts to $ 37.80.

CHAPTER 2

2.1 VAT ON SUPPLY

VAT is chargeable on the taxable supply of goods and services in Saint Lucia, by a registered taxpayer.

2.2 Definition of Supply

The term **SUPPLY** is defined in the VAT Act and refers to the sale of, the grant of or right to use goods; and the supply of services.

2.3 Definition of Service

A supply of services means anything done which is not a supply of goods or money, including –

i. the granting, assignment, cessation or surrender of a right;
ii. making available a facility or advantage;
iii. refraining from or tolerating an activity;
iv. anything that is deemed to be a supply of services by the VAT Act or by Regulations.

2.4 Deemed Taxable Supply

A number of transactions would be deemed taxable supplies including the following:

1) The disposition of a taxable activity as a going concern, or part of a taxable activity that is capable of separate operation.

2) The application by a taxable person of goods or services acquired for use in a taxable activity to a different use, including the provision of goods or services to an employee for personal use; is a supply of those goods or services by the taxable person in the course or furtherance of that taxable activity.

3) The repossession of goods under a credit agreement is a supply by the debtor under the credit agreement to the person exercising the right of repossession, and where such debtor is a registered person the supply is made in the course or furtherance of the debtor's taxable activity unless such goods did not form part of the assets held or used by the debtor in connection with that activity.

4) The amount paid or recovered in a lay-away agreement that is terminated or cancelled is a supply of services by the seller in respect of the agreement.

5) The placing of a bet by a person with another person operating a game of chance is a supply of services by the person operating the game of chance to the first-mentioned person.

6) The application by a taxable person of goods and services acquired for use in a taxable activity to a different use, including the provision of goods or services to an employee for personal use; is a supply of those

goods or services by the taxable person in the course or furtherance of that taxable activity.

CHAPTER 3

REGISTRATION

3.1 Compulsory Registration

A person who during a period of twelve months makes taxable supplies of EC$ 180,000 is required to register.

Where a taxable person is trading for a period of less than twelve months and the average monthly sales exceeds EC$ 15,000, the person is required to register.

Application for registration must be on the prescribed form together with all pertinent information. The Comptroller will inform the applicant within twenty one (21) calendar days of submission of their application.

Public entertainers and auctioneers are required to register regardless of their annual taxable supplies.

Failure to register may result in the imposition of a penalty. The Comptroller may register the person and specify the effective date of the registration in the Comptroller's discretion.

Voluntary registration is also available to certain persons who can satisfy the Comptroller that compliance with the requirements to register will be met. The Comptroller's decision is appealable.

Threshold already satisfied

If a person must register because that person's taxable supplies exceed the threshold in the prior 12 or fewer months, registration is effective at the beginning of the tax period immediately following the end of the period of 12 or fewer months.

Threshold to be satisfied in future

If a person must register because that person is expected to have taxable supplies exceeding the threshold in the next 365 calendar days, registration is effective from the beginning of the 365 day period.

State or Local authority taxable activity

The state or local authority must register regardless of its level of taxable turnover when it commences a taxable activity.

A state or local authority is engaged in a taxable activity only to the extent that it conducts auctions, hires equipment, rents space, sells medicine and drugs or when it engages in activity commonly conducted for profit.

The state or local authority's registration is effective when it commences a taxable activity. Once registered the state or local authority is subject to all provisions in the Act and its regulations regarding registered persons and general administration of tax.

Three month threshold Satisfied

A person must register because the person's taxable supplies exceed EC$45,000.00 in a 3- month period and are expected to exceed EC$180,000.00 in combination of those 3 months and the next consecutive 9 months. This person's registration is effective at the beginning of the tax period immediately following the end of the 3-month period.

3.2 Certificate of Registration and Tax Identification Number (TIN)

The Inland Revenue Department will issue a CERTIFICATE OF REGISTRATION to every **approved** taxpayer on receipt of their application for registration.

The certificate must be prominently displayed at the registered taxpayers' place of business. If the business conducts its activities from more than one location, the department must be informed for which a certificate of registration will be issued for each location.

The certificate of registration will contain the business' **TAX IDENTIFICATION NUMBER (TIN).**

3.3 Notification of Changes

A registered taxpayer must notify the Inland Revenue Department in writing within twenty-one days (21) days of:

(a) Any change in the particulars of the business provided in the application for registration; or

(b) The closure of the business.

Where a registered business has been sold or merges, the Comptroller should be notified at least three calendar days before the earliest of:

a) The sale closing;
b) The purchaser acquiring legal interest in the assets; and
c) The assets of the going concern being transferred.

Examples of changes in particulars of registration include:

a) Change of name or trade name;
b) Change in address;
c) Change of place of business;
d) Change of constitution;
e) Change of nature of principal activity; or
f) Any change in circumstances if the person ceases to operate or closes on a temporary basis.

Waiver of Registration

A person can request a waiver of registration, or the Comptroller himself may, without request decide not to register an applicant if the person's taxable supplies exceed or will exceed the threshold solely as a result of reasons specified in the Act. For example, a person may request a waiver if the person discontinues selling a line of products and sells the remaining inventory of that line, producing substantial sales that will not recur in the future.

3.4 Cancellation of Registration

Businesses that are no longer eligible for registration may apply in writing on the prescribed form to have their registration cancelled where –

1) The registered taxpayer ceases to make taxable supplies;
2) At any time after two (2) years of registration, the total value of that registered person's taxable supplies in the past twelve (12) months was not or

ensuring twelve (12) months will not be EC $180,000.

The VAT Certificate must be returned to the VAT Section, Inland Revenue Department immediately upon cancellation of registration.

Cancellation of the registration generally takes effect at the end of the last day of the tax period during which taxable activity ceases.

The Comptroller may also cancel the registration of a business where he is satisfied that the business' registration should be cancelled. Cancellation can only be after two (2) years of registration.

Cancellation of registration through sale of going concern;

- Person expecting to sell a going concern must notify the Comptroller at least three (3) calendar days before sales closes.
- The purchaser acquires a legal interest in the assets to be acquired or the asset of the going concern is transferred, whichever occurs first.
- The seller must apply for cancellation of their registration if the seller, as a result of the sale of a going concern, ceases to engage in taxable activity.
- The seller must state whether or not he or she intends to make taxable transactions within twelve (12) months from the date stated on his application for cancellation.
- The Comptroller can initiate a cancellation without any application unless the Comptroller has reasonable grounds

to believe that the person will engage in taxable activity and make taxable transactions within 12 months from the date of cessation.

Effective date of Cancellation

The Comptroller has the right to specify a different effective date where the Comptroller initiates cancellation because he or she is satisfied that a taxable person is not engaged in a taxable activity or is not required or entitled to apply for registration. Under the Act the Comptroller may cancel the person registration effective on the last day of the tax period during which the Comptroller becomes satisfied or on another date the Comptroller specifies.

Where the registered person did not make taxable transactions from the date the registration took effect, the Comptroller can cancel the registration retroactive to the effective date.

Where the Comptroller initiates cancellation, he or she must provide written notice of the date that the cancellation takes effect.

Obligations or liabilities due including the obligation to pay and or to file returns up to the period of registration are not affected by the cancellation of the taxpayer's registration.

Treatment of Goods on Hand when registration is cancelled

Where registration is cancelled, a registered person is deemed to have made a taxable supply in Saint Lucia, of goods and services on hand on date of cancellation, but only if an input tax deduction was claimed with respect to the goods and services on hand.

CHAPTER 4

CHARGING VAT

4.1 Registered taxpayers are liable to charge VAT on taxable supplies made within Saint Lucia. The registered taxpayer must be knowledgeable of the following conditions stated below to ensure that the correct VAT is charged:

1) What is a taxable supply?
2) The time and place a supply is considered to be made;
3) The rate to be applied to each supply;
4) The value of the supply on which VAT is to be calculated;

4.2 Taxable Supply

A taxable supply is the supply of goods or services in Saint Lucia made in the course or furtherance of a taxable activity, other than an exempt supply.

4.3 Time of Supply

The time of supply identifies the tax period in which a transaction is to be taxed. The tax period is one calendar month for which a registered person is to account for the tax.

A supply of goods or services occurs on the earliest of the date on which:

1) The goods are delivered to the recipient or made available or the performance of the services is completed;
2) An invoice for the supply is issued by the supplier; or

3) Any consideration for the supply is received by the supplier.

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

A supply of goods under a lay-a-way agreement occurs when the goods are delivered to the recipient.

Repossession of Goods

Repossession of goods under credit agreement is treated as a supply of goods. Supply occurs on the day that the goods are repossessed. The date maybe later if the debtor may under any law be reinstated his rights and obligations under the credit agreement.

Where the date of supply is the day after the last day of any period during which the debtor may be so reinstated, the supply occurs on the day after the debtor loses his right to pay arrears and have his rights reinstated.

Transfer of a going concern

Where the transfer of a taxable activity (or a portion of a taxable activity capable of separate operation) as a going concern, is sold or transferred. The sale or transfer would be deemed as a supply of goods.

The transfer maybe zero rated under the First Schedule once all conditions are met.

Where the buyer uses some of the acquired assets for purposes other than making taxable supplies the buyer is treated as making a taxable supply on acquisition of the going concern to the extent that the buyer uses the goods or services acquired for purposes other than to make taxable supplies. The taxable supply by the buyer occurs when the supply of the going concern of the act occurs.

Advance receipt for services or a deposit

Where a deposit is given in connection with a supply of goods or services or advance payment for rendition of services in the future, is concluded as part of the consideration for a supply of services. The supply of services occurs at the earliest of:

- The date the services are completed
- An invoice covering the services issued
- Consideration for services received

The classification of a receipt as a deposit or advance payment depends on the facts and circumstances of the case.

4.4 Place of Supply

The place of supply is important as only supplies made in Saint Lucia are taxable. A supply is considered to take place within Saint Lucia if:

a) The supplier is resident in Saint Lucia; or

b) The goods are in Saint Lucia at the time of the supply; or

c) The services are performed by a person who is in Saint Lucia at the time the services are performed.

Generally, a supply is not regarded as taking place in Saint Lucia if the supplier is not resident in Saint Lucia.

A supply of services takes place at the location of the place of business of the supplier from which the service is supplied except;

A supply of thermal or electrical energy, heating, gas, refrigeration, air conditioning or water takes place where the supply is received.

Supplies by Commission Agent

Where services are rendered to a non-resident person, the service may be treated as exported; those services therefore may qualify for zero rating. Services rendered by commission agents in Saint Lucia are taxable (including zero-rating where applicable) unless the services are exempt under the Second Schedule of the Act.

4.5 Rates of Tax

A standard rate of 15% is applied to all taxable goods and services; a reduced rate of 8% is applied to goods and services provided by hotels; and a zero rate (0%) is also applied to certain goods and services.

4.6 Zero-rated Supplies

VAT cannot be charged on zero-rated supplies. The First Schedule lists the goods and services that are zero-rated. Any VAT paid on purchases made in producing zero-rated supplies may be claimed.

4.7 Exempt Supplies

The Second Schedule lists the goods and services that are exempt from VAT. Exempt supplies cannot be charged VAT and the VAT paid by persons trading in exempt supplies cannot be claimed.

4.8 Value of Supply

The value of a supply of a good or service is the amount of the consideration for the supply but not including the tax itself.

Where a portion of the price of a supply represents tax imposed by this 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. (Tax fraction being 15/115)

Transfer for no consideration or less than fair value

Where a supply is made by a taxable person for no consideration or for a consideration that is less than the fair market value of that supply and-

(1) The supplier and the recipient are related persons; or
(2) The recipient is an approved charitable organisation;

The value of the supply is the fair market value of the supply.

In respect to imports, the value for VAT is the value of the goods determined by the Customs (Control and Management) Act and any duties, taxes (other than VAT charged under this Act), and other charges paid or payable upon the entry of imported goods.

Tax not accounted for separately

In order to claim the VAT on your purchases, you will need to calculate the VAT from the VAT inclusive prices using the following fraction based on the standard rate of VAT at 15%;

R/ (1+R)

Where R is the rate of tax expressed and 1 is the consideration amount equalling 100%

15% / (100%+15%) = .15/1.15

Price discounts and rebates at time of supply

The value of a supply is reduced by any price discount or rebates allowed and accounted for at the time of the supply of goods or rendition of services.

Supply under a Credit Agreement

The value of a supply of goods under an instalment sale or finance lease (a credit agreement) is the cash value of the supply. The cash value in relation to a supply of goods under a credit agreement means;

- Where the seller or lessor is a bank or other financial institution, an amount equal to the sum of —

  (i) The consideration paid by the bank or other financial institution for the goods or the fair market value of the supply of the goods to the bank or other financial institution whichever is the greater;

  and

  (ii) Any consideration for erection, construction, assembly, or installation of the goods borne by the bank or other financial institution;

  or

- Where the seller or lessor is a dealer, an amount equal to the sum of —

  (i) the consideration at which the goods are normally sold by the dealer for cash; and

  (ii) any consideration for erection, construction, assembly, or installation of the goods borne by the dealer;

Value of repossession of goods under credit agreement

The value of a supply of goods under an instalment sale or finance lease (a credit agreement) is the cash value of the supply. Where the debtor is deemed to make a supply of goods when goods purchased by the debtor under a credit agreement are repossessed, the value of the supply is an amount equal to the balance of the cash value of the supply that has not been recovered at the time of the supply.

<u>CHAPTER 5</u>

ACCOUNTING FOR VAT

5.1 Tax Period

The Tax Period is one (1) calendar month. This is the period in respect of which a registered person must account for and pay the tax over to the Inland Revenue Department.

5.2 Output Tax

Output tax is collected on local sales to other businesses and final consumers. Sales to registered businesses must be accompanied by a VAT invoice; sales to unregistered businesses and final consumers must be accompanied by a sales receipt. The output VAT is calculated by multiplying the value of the taxable supplies by the standard rate or reduced rate of tax.

5.3 Input Tax

Input tax is paid by registered persons on purchases and at the point of importation. To claim Input Tax, the amount must be supported by a VAT invoice or Customs authenticated document clearly showing the amount of VAT paid.

Input tax is deducted from output tax to arrive at the VAT liability. The input tax which a person may deduct in any tax period, depends on the taxable (zero and standard-rated) supplies. Input tax paid on making exempt supplies cannot be deducted.

When the supplies during the period consist of both taxable and exempt supplies, the input tax which that person may deduct is as follows:

(a) all input tax charged on supplies required solely for producing taxable supplies:

(b) none of the input tax charged on supplies required solely for producing exempt supplies;

(c) where the input tax was charged for supplies used for producing both taxable and exempt supplies, e.g. rental of both residential and commercial property, only that portion of the input tax related to his taxable (rent of commercial property) supplies would be allowed using the "apportionment formula," which is:

A x B/C where

A = total input tax less (inputs directly related to taxable activity + inputs directly related to exempt activity)

B = Value of all taxable supplies exclusive of the VAT

C = Value of all supplies exclusive of VAT (both taxable and exempt)

If the ratio of B/C is greater than 0.90, the registered person may claim all input tax incurred for the period.

5.4 Adjustments to Output Tax

Some circumstance may arise where a registered taxpayer will have to adjust the amounts for output tax; these include –

a) A taxable supply has been cancelled or consideration altered;

b) Where a bad debt has been recovered;

c) Goods or services or part thereof that were subject to taxable supply are returned;

d) The nature of the supply is fundamentally varied or altered in such a way that the supply becomes or ceases to be a taxable supply.

5.5 Adjustments to Input Tax

Input tax adjustments may arise where a registered taxpayer will have to adjust the amounts for input tax; these include –

a) Where a bad debt has been written off;

b) A taxable purchase has been cancelled or consideration altered;

c) Goods or services or part thereof that were subject to taxable purchase are returned;

d) The nature of the purchase is fundamentally varied or altered in such a way that it becomes or ceases to be a taxable purchase.

5.6 Bad Debts

It must be remembered that a registered taxpayer accounts for VAT on the basis of time of supply which, for the normal case, is the earliest of:

(a) Date of issue of invoice;

(b) Date of payment; or

(c) Date that goods were made available or services performed.

If a person grants supplies on credit the VAT is still due on these supplies. The VAT liability is not affected by non-collection of payment for the supplies made during the tax period. The Act makes provision for relief to be granted where the tax was paid on a supply that has proven to be uncollectible.

You may be allowed an input tax deduction for tax paid in respect of a taxable supply where the whole or part of the consideration for the supply is subsequently treated as a bad debt.

The input tax deduction arises on the date on which the bad debt was written off in the accounts of the registered person and the registered person satisfies the Comptroller that reasonable efforts have been made to recover the amounts due and payable.

Where an amount treated as being bad is recovered partly or wholly, the registered person is treated as having charged tax in respect of a taxable supply made during the period in which the bad debt was wholly or partly recovered, being an amount calculated according to the formula A X B/C where =

a) A is the amount allowed as a deduction,
b) B is the amount of the bad debt recovered; and
c) C is the amount of the bad debt previously written off.

Example: A sale of $4,600 is made including 15% VAT ($600) which subsequently leads to a bad debt being provided for. An amount of $4,400 is recovered the following year.

In the tax period the bad debt is recognised, the amount of $600 is allowed as an input tax credit.

The recovered amount of $4,400 includes a portion of the VAT due; thus the following amount should be reflected as output tax in the tax period when recovered.

$600 X $4,400/$4,600 = $573.91

5.7 Credit and Debit Notes

A tax credit note or debit note will be issued where a tax invoice has been changed after it has been issued.

The credit note will be issued where the tax exceeds the amount shown on the tax invoice.

The debit note will be issued where the tax is less than the amount shown on the tax invoice.

The credit or debit note must contain the words **"VALUE ADDED TAX CREDIT NOTE"** or "**VALUE ADDED TAX DEBIT NOTE"** prominently.

The debit or credit note must also contain the following:

a) The name, address and TIN of the supplier and recipient;

b) The serial number of the debit/credit note and the date on which the debit/credit note was issued;

c) The reason for the issue of the debit/credit note and sufficient information to indicate the taxable supply it relates to;

d) The consideration of the supply shown on the original VAT invoice and, if it has changed, the correct amount of the consideration for the supply;

e) The effect of the VAT adjustment event on the VAT payable, shown by specifying:

   1) The amount of VAT previously payable in relation to the supply, as shown on the original VAT invoice or, if relevant, as shown on the most recent VAT debit or credit note issued in relation to the supply.

   2) The correct amount of VAT payable in relation to the supply following the VAT adjustment event that gave rise to the requirement to issue the debit/credit note; and

   3) The difference between those two amounts, shown as a debit/credit.

CHAPTER SIX

VAT RETURNS, PAYMENTS AND REFUNDS

6.1 Returns

A VAT return is due at the end of each tax period (one month) and must be completed and submitted to the Inland Revenue Department together with any tax due and payable. The return must be submitted twenty-one calendar days (21) following the end of the tax period.

A **NIL** return is also due for a tax period when no taxable activity took place; i.e. no purchases as well as no sales.

6.2 Payment of Tax

The VAT due can be paid by cash, cheque, postal or money order at any of the Inland Revenue Department's offices. Cheques must be made payable to the Accountant General quoting the Tax Identification Number.

6.3 Refunds/Credits

VAT refunds will only be paid when all returns due have been filed. Available refunds will first be offset against any outstanding prior period liability as well as other outstanding taxes.

The VAT Act allows for excess credits to be carried forward for a period of three months before a claim for a refund can be made.

Persons trading in taxable supplies where at least fifty percent (50%) of the taxable supplies is zero rated, the VAT Act allows for excess credits to be refunded on a monthly basis.

CHAPTER SEVEN

ASSESSMENTS

7.1 Assessments of registered persons

Voluntary compliance is based on the self-assessing system of taxation. The registered taxpayer’s return should be his final liability for each tax period. Input tax is deducted from output tax and the difference paid to the Inland Revenue Department. Where input tax exceeds output tax a credit is available which may be used to offset against future liability.

The Comptroller may however assess or re-assess a registered taxpayer in circumstances including where:

1) The person fails to file a return as required;
2) The Comptroller is not satisfied with the return submitted;
3) The Comptroller has reason to believe that a person will become liable for the payment of an amount of tax but is unlikely to pay such amount;
4) A taxable person supplies goods and services and the supply is not a taxable supply or is a taxable supply charged with tax at a rate of zero percent and, in either case, the taxable person represents that a positive rate is charged on the supply;
5) Where a taxable person is not satisfied with the return filed by that taxable person under the VAT Act, and that person applies to the Comptroller to make an addition or alteration to that return.

7.2 Assessments of non-registered persons

The Comptroller may assess a person who is not registered in certain cases, that is:

(a) Where that person is over the threshold but has not applied for registration and has made a taxable supply; or

(b) Where a person who makes a supply:

(i) Falsely represents that VAT is charged on that supply;

(ii) Falsely represents the amount of tax charged; or

(iii) Wrongfully received or seeks to recover an amount of VAT.

The output tax of an unregistered person will be determined on the basis of all the information available to the Comptroller. The person is entitled to his allowable input tax, but only to the extent that he can substantiate a claim for that input tax.

7.3 Amendment of assessment

If at some time after the Comptroller has made an assessment, new facts are discovered, the assessment may be amended.

7.4 Notices of Assessment

Taxpayers must be informed in writing by the Comptroller of the assessment or re-assessment made.

7.5 Time Limit for Assessments

The Comptroller cannot make, amend or vacate an assessment after six (6) years from the end of the relevant tax period unless there is evidence of fraud, wilful default or gross negligence.

CHAPTER EIGHT

BOOKS AND RECORDS

8.1 Legal Requirements

This section is to inform registered taxpayers of their obligations to maintain proper books and records.

Records mean accounting records, accounts, books, computer-stored information, or any other relevant documents.

A registered taxpayer is required to keep records of all supplies made and purchases acquired during the tax period. The records should contain a VAT account which summarizes the VAT liability on the monthly return.

A registered taxpayer is required to keep books and records:

a) for a period of six (6) years after the end of the period to which it relates;
b) in the English Language and in Eastern Caribbean Currency;
c) in Saint Lucia.

8.2 Record-keeping

A registered taxpayer must keep a record of all taxable goods and services that are received or supplied in the course of business. This includes standard, reduced and zero rated supplies; and a separate record of any exempt supplies made.

A taxable person or any other person liable for tax under this Act must maintain in Saint Lucia:

1) Original tax invoices, sales receipt, tax credit notes and tax debit notes received;
2) A copy of all tax invoices sales receipt, tax credit notes and tax debit notes issued;
3) Customs documentation relating to imports and exports;
4) Accounting records relating to taxable activities carried on in Saint Lucia; and
5) Any other records as may be prescribed by Regulations.

8.3 Access to Records

The Comptroller may, by notice in writing, require any person, whether or not liable for tax under this Act to:

- Furnish at such time and place or retain for a reasonable period, any accounts, books of account, statement of supplies and purchases or other documents.

- Attend at the time and place designated in the notice for the purpose of being examined concerning the assessable or chargeable tax or any transaction or matters appearing to be relevant.

- Provide access to the premises where any business is carried on by that person or where records or books of account are kept in relation to that business.

The actual books and records kept by a registered person would depend on a number of factors including the type of business activity undertaken. However, the books and records are those that would enable a registered person to ascertain his tax liability and to provide all the information required by the VAT Act.

Examples of the books and records include:

- Annual accounts
- Bank statements and paying slips
- Cash books and other account books
- Cheque book stubs duly completed
- Credit or debit notes issued or received
- Import and Export documentation
- Order and deliver books
- Purchases and sales books
- Purchase invoices and copy of sales invoices
- A record of daily gross takings
- VAT account
- Cash register tills/tapes

8.4 TAX Invoice

A registered taxpayer is required to issue a tax invoice to another registered taxpayer when making a taxable supply. The VAT INVOICE which must be pre-numbered should show the following:

1) The words **"VALUE ADDED TAX INVOICE"** or **"VAT INVOICE"** in a prominent place;

2) An identifying serial number and the date of issue;

3) The name, address and tax identification number of the supplier;

4) The name, address and tax identification number of the recipient;

5) The description of the goods and services supplied, including the quantity;

6) The consideration for the supply, not including the VAT charged;

7) The rate of VAT charged and the VAT payable;

8) The total value of the supply including VAT.

The tax invoice must be in three copies. (One for the purchaser, one for the supplier and one to be made available to the Inland Revenue Department when requested)

Sample of a VAT Invoice

VAT INVOICE

From	: XYZ Company Limited	**Invoice No**	: 000001
Address	: # 12 High Lane, Castries	**TIN**	: 001111
Date	: June 2, 2013		
To	: THE Development Company	**TIN**	: 000123
Address	: #2 Fairway Drive, Gros Islet		

Quantity	**Description and Price**	**Amount excluding VAT**
12	Fridges at $1000 each	$12 000
15	Ovens at $300each	4 500
10	Blenders at $ 150 each	1 500
		18 000
	VAT 15%	**2 700**
	TOTAL	**$20 700**

8.5 Sales Receipt

A sales receipt is used to record sales to unregistered persons. The sales receipt should include the following:

1) The words **"VALUE ADDED TAX RECEIPT"**, **"VAT SALES RECEIPT"**, prominently;
2) The suppliers' name, address and Taxpayer Identification Number (TIN);

3) The consideration of the supply including VAT;
4) A description of the goods or services supplied;
5) The rate of the VAT applicable to the supply;
6) The amount of VAT charged;
7) An identifying serial number and the date on which the tax receipt was given.

8.6 Why are tax invoices important?

Input Tax can only be claimed if a VAT invoice supports the claim. All VAT invoices received from suppliers including customs invoices and copies of all invoices issued must be retained.

8.7 Recording of Sales

A **VAT Invoice** must be issued for sales between registered taxpayers. Sales to unregistered taxpayers must be accompanied with a **Sales Receipt**. The sales day book should show:

1) The date of the transaction;
2) The invoice number;
3) The TIN and name of the supplier
4) The value of supplies including the VAT (both standard and reduced rates);
5) Value of any zero-rated supplies;
6) Value of any exempt supplies;
7) Value of supplies excluding VAT;
8) VAT on sales.

Businesses issuing VAT invoices and using cash registers need to retain their invoices and till rolls as part of their records. Manually issued VAT invoices should contain the same information as computer generated invoices, showing clearly the purchases as well as the sales.

The output VAT for each tax period should be the total VAT collectible on all tax invoices and sales receipts issued.

The issuing of credit notes will reduce the amount of VAT due; debit notes on the contrary increases the VAT due.

Goods given away, taken for personal use or used for a tax exempt activity must be accounted for.

The records should indicate:

1) The description of the goods;
2) The date the goods were taken from stock;
3) The cost including VAT; and
4) The rate and amount of VAT to be submitted.

8.8 Recording of purchases

All invoices received for the month from suppliers should be recorded in the purchases day book in the order in which they were received.

The following should be recorded for each invoice received:

- The date of the transaction
- The invoice number
- The TIN and name of the supplier
- The total purchase price including VAT (both standard and reduced rates)
- Value of imports
- Value of any zero-rated purchases

- Value of any exempt purchases
- VAT paid on imports
- Value of local purchases excluding VAT
- VAT paid on local purchases

Credit/debit notes should also be maintained.

A registered taxpayer must also keep a separate record of any business expenses for which input tax cannot be deducted for example, passenger vehicles and entertainment.

The information on the purchases day book will be used for preparing the monthly VAT return.

8.9 The VAT Account

The VAT account is a monthly summary of input tax paid on imports and on purchases of goods and services as well as allowable business inputs and output tax on sales as well as the output tax allocated from goods taken for personal use. Debit notes as well as credit notes should be reflected in the summary.

The total allowable input tax is deducted from the total output tax to determine the VAT due or refundable. The VAT return is due twenty-one days (21) after the end of the tax period (month) together with any outstanding amount. Returns are due monthly regardless of the taxpayer conducting any business activity during the month.

THE BUSINESS APPROACH LIMITED, VAT ACCOUNT, January 1 – 31, 2013

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**

The net VAT is due and payable to the Inland Revenue Department on February 21, 2013. Late payments will attract penalty and interest charges.

Where total input VAT is exceeds total output VAT, a refund or credit is available. An audit may be conducted on refunds/credits before confirmation of the available amounts to be carried forward for a period of three months.

CHAPTER NINE

IMPORTS AND EXPORTS

9.1 Imports

Taxable imports as well as local supplies of goods and services attract VAT at the same rate. The VAT must be paid to the Customs and Excise Department together with the other customs duties and taxes at the time of importation or when removed from the warehouse (In the case of bonded warehouses or items attracting duty free concessions). The VAT due will be on the duty inclusive value plus other taxes. To account for the VAT paid at the Customs Department the import declaration will be used.

Where an item is classified as zero rated as per the VAT Act, imports of the same product are exempt from tax.

Re-importation of goods exported from Saint Lucia

Goods are not “exported from Saint Lucia” if the goods have been or will be re-imported into Saint Lucia by the supplier for export.

9.2 Exports

All exports are zero-rated. Verification of goods to be exported will be conducted by the Customs & Excise Department. Claims for input VAT must be substantiated by documentary evidence.

To obtain zero rating for the export of goods and related services under the VAT Act, the exporter, at the port of exit, must identify the goods and present documentary proof required by the Comptroller of Customs. The export must comply by the requirements stipulated by the VAT Act.

Supply by a licensed duty free vendor

Supply of goods by a licensed duty free vendor is zero rated. Zero rating **only** applies if that supplier provides documentation satisfactory to the Comptroller of Customs that the goods have been exported from Saint Lucia.

CHAPTER TEN

RESPONSIBILITY AND OBLIGATIONS OF REGISTERED TAXPAYERS

10.1 Charging VAT

Registered taxpayers are mandated by the VAT Act and Regulations to charge VAT on taxable supplies made at the correct rate including zero-rated items and account for the VAT collected.

The advertised price of the goods and services must include the VAT chargeable.

10.2 VAT Invoices/Receipts

A VAT invoice must be issued by a registered taxpayer to another registered taxpayer on taxable supplies. The invoice should among other requirements include the Tax Identification Number of both registered taxpayers.

A sales receipt will be issued to unregistered taxpayers, which must include the registered taxpayers' TIN.

Original invoices will be retained by the purchaser of goods and services as this will serve as evidence when a claim is made for input tax. The seller will retain copies of the invoices issued for audit and other purposes.

10.3 Returns/Payments

Registered taxpayers are required to file a return by the day of the month following the end of the tax period (month) together with any payment for outstanding taxes due.

If input tax exceeds output tax in a tax period a refund would be due and would be carried forward for a period of three months as input tax in the following tax period.

10.4 Certificate of Registration

The Certificate of Registration must be displayed in a prominent place at the taxpayer’s place of business where it can be easily seen by all consumers.

If a taxpayer’s registration is cancelled the certificate of registration must be returned to the Inland Revenue Department. A person whose registration is cancelled is not allowed to charge VAT on their supplies.

10.5 Change of Status

A registered taxpayer must, within twenty-one (21) days inform the Inland Revenue Department of any change to their registration status. Changes to status include the death of a partner, the admission of a partner and the disposal of a branch.

CHAPTER ELEVEN

OBJECTIONS AND APPEALS

11.1 Objections

Objections can be made against an assessment, an amended assessment or to a decision of the Comptroller if the taxpayer is not satisfied.

A person dissatisfied can object in writing stating the grounds for their objection which must be made within thirty (30) calendar days after the service of the notice of the assessment or decision.

The objection must be accompanied by payment of all of the tax not in dispute and fifty percent of the tax in dispute.

11.2 Appeals to the Appeal Commissioners

A taxpayer may appeal in writing to the Appeal Commissioners to a decision on an objection within thirty (30) calendar days if dissatisfied after being served with the notice of the decision of the Comptroller.

An appeal against a decision by the Comptroller may be considered by the Appeal Commissioners if the Comptroller certifies that-

a) The person assessed has paid the full amount of the tax due under the assessment; or
b) The Comptroller is satisfied that the person objecting is unable to pay the full amount of the tax due and has given sufficient security, for the amount of tax unpaid and interest that may become payable.

11.3 Further Appeals

Appeals may be made to the High Court and further to the Court of Appeal if the person is dissatisfied with the decision. The appeal can be made only on questions of law, or including questions of mixed fact and law, and the notice of the appeal must state the questions of law that will be raised on the appeal.

11.4 Burden of proof

The burden of proving that an assessment is excessive or that a decision of the Comptroller is wrong is on the person objecting to the assessment or decision.

CHAPTER TWELVE

PENALTY PROVISIONS

The current system of taxation is based on voluntary compliance. Taxpayers determine their tax liability and pay the outstanding amounts due or claim for refunds. To encourage persons to voluntarily comply with the requirements of the VAT Act, a number of public education initiatives have been undertaken to ensure all taxpayers are aware of the rights and responsibilities. Non-compliance with the Act may result in varying penalties.

12.1 Civil penalties

A number of penalties are applicable for breaches to the VAT Act including:

a) **Failure to register or display certificate**

1) A person who fails to apply for registration is liable to a penalty equal to double the amount of tax payable from the time the person is required to apply for registration until the person files an application for registration with the Comptroller.

(2) A person who fails to display the certificate of registration issued by the Comptroller is liable to a penalty of $100 per day for each day or portion thereof that the failure continues.

b) **Failure to notify Comptroller**

A person who fails to notify the Comptroller is liable to a penalty of $250 for the first instance, $500 for the second instance and $1,000 for the third and any subsequent instance.

c) **<u>Failure to issue a proper tax invoice, etc.</u>**

A person who -

(a) issues a false invoice or false sales receipt;

(b) uses a false taxpayer identification number;

(c) fails to provide a tax invoice, sales receipt, tax credit note, or tax debit note, or provides one otherwise than as stipulated by the VAT Act;

is liable to a penalty of $5,000 for the first instance, $10,000 for the second instance $15,000 for the third instance and $25,000 for the fourth and any subsequent instance.

d) **<u>Failure to file return</u>**

A person who fails to file a return within the time required is liable to a penalty of $250 per month, or part thereof, for the period during which the return remains unfiled.

e) **<u>Failure to keep records</u>**

A person who fails to maintain proper records is liable to a penalty of $100 per day for each day or portion thereof that the failure continues.

f) **<u>Failure to provide facilities and assistance</u>**

A person who fails to provide a tax officer with reasonable facilities and assistance is liable to a penalty of $1,500.

g) Failure to comply with notice to give information

A person who fails within the specified time to comply with a notice issued by the Comptroller is liable to a penalty of $1,000 and a further penalty of $100 for each day or part thereof that the breach continues after receiving a written warning from the Comptroller to correct the breach.

h) Non compliance with price quotation requirements

A person who contravenes the requirements of displaying prices inclusive of VAT is liable to a penalty of $500 and a further penalty of $50 for each day or part thereof that the breach continues after receiving a written warning from the Comptroller to correct the breach.

i) Temporary closure of business

(1) Where a person repeatedly violates an offence -

(a) in relation to tax invoices;

(b) in relation to tax debit notes or tax credit notes;

(c) by failing to file returns;

(d) by failing to pay tax when due;

(e) by improperly claiming tax refunds; or

(f) by impeding tax administration;

The Comptroller may forcibly close one or more business premises of the person for a period not exceeding 14 calendar days after obtaining a court order having jurisdiction in respect of the person.

(2) The Comptroller may use reasonable force and police assistance necessary to close all or any premises of the person, barring access with locks, fencing, boarding, or other appropriate methods.

(3) A repeated violation means a violation that is committed within one year of receipt by the person of a written warning that a violation of such kind has been committed more than once within the year preceding the year of the warning, and that repetition may result in closure.

12.2 Criminal Penalties

In addition to the application of civil penalties, taxpayers may be liable on **summary conviction** to the following penalties:

a) Tax evasion

A person who wilfully evades or attempts to evade the assessment, payment or collection of tax is liable to a fine of $100,000 or to imprisonment for a term not exceeding 3 years or to both.

b) Impeding tax administration

A person shall not wilfully impede or attempt to impede the Comptroller in his or her administration of the VAT Act.

A person who contravenes the VAT Act commits an offence and is liable on summary conviction to a fine not exceeding $5,000 or to imprisonment for a term of 6 months or to both.

c) Offences by companies, aiders and abetters

Where an offence is committed under the VAT Act by a company, every person who at the time of the commission of the offence:

(a) was director or other similar officer of the company; or

(b) was acting or purporting to act in such capacity, is deemed to have committed the offence.

The offence is deemed not committed where:

(a) the offence was committed without such person's consent or knowledge; and

(b) the person exercised all such diligence to prevent the commission of the offence as ought to have been exercised having regard to the nature of the person's functions and all the circumstances.

A person aiding and abetting the commission of an offence under the VAT Act commits that offence and is liable to the same penalties as the person committing the offence.

d) Collection of tax by non-registered persons

A non-registered person shall not collect tax on a supply.

A person who commits this offence is liable on summary conviction to a fine not exceeding of $100,000 or to imprisonment or a term not exceeding four (4) years.

e) False or misleading statements

A person shall not knowingly or recklessly make a statement to a tax officer that is false or misleading in a material particular or omit from a statement made to a tax officer any matter or thing without which the statement is misleading. On summary conviction the person is liable to a fine of $100,000 or to imprisonment of a term not exceeding four (4) years.

f) General penalty

A person who commits an offence under the VAT Act for which no penalty is specified is liable on summary conviction to a fine not exceeding $10,000 or to imprisonment for a term not exceeding one (1) year or both.

Appendi 1 - Purchases Information

DATE	INVOICE #	IMPORTS	VAT	LOCAL PURCHASES 15%	LOCAL PURCHASES 8%	VAT 15%	VAT 8%	TOTAL
A	B	C	D	E	F	G	H	I

Each line should represent one import declaration or VAT invoice (if there a 50 purchases during the month, then there should be 50 line entries). Each purchase must be recorded during the month on a separate line.

Credit and debit notes could be maintained on a separate table.

Insert in the following columns of each transaction

A - The date of invoice

B - The invoice number

C- The value of the goods/services imported. (CIF + all customs duties and taxes exclusive of VAT)

D- The VAT paid on importation

E- The value of local purchases exclusive of VAT (15%)

F- The value of local purchases exclusive of VAT (8%)

G- The VAT paid/payable on local purchases (15%)

H- The VAT paid/payable on local purchases (8%)

I- The total purchases inclusive of VAT

When completing your Vat Return

1. Box 10 is the total of column C
2. Box 11a is the total of column E
3. Box 11b is the total of column F
4. Box 12 is the total of column D
5. Box 13a is the total of column G
6. Box 13b is the total of column H
7. Box 16 is the total of columns D, G and H

Appendix 2 - Sales Information

DATE	INVOICE #	SUPPLIES 15%	SUPPLIES 8%	ZERO RATED SUPPLIES	EXEMPT SUPPLIES	VAT on Standard Rated supplies	VAT on Reduced Rate supplies	TOTAL
A	B	C	D	E	F	G	H	I

Each line represents one tax invoice (e.g. if there are 50 transactions during the month, then there would be 50 line entries) NB. **Only sales invoices are to be recorded and not receipts.**

Credit and debit notes can be maintained in a separate table.

Insert in the following columns of each transaction.

A - The date of invoice

B - The invoice number

C - The value of standard rated supplies (15%)

D - The value of reduced rated supplies (8%)

E - The total value zero rated supplies (0%)

F - The total value of exempt supplies

G - The total VAT charged on the standard rated supplies

H - The total VAT charged on reduced rate supplies

I - The total value of the supplies inclusive of VAT

Completing your VAT return

At the end of each calendar month the following should be inserted.

Box 1 is the total of columns C

Box 2 is the total of column D

Box 3 is the total of column E

Box 4 is the total of column F

Box 5 is the total of column C, D and E

Box 6 is the total of column G

Box 7 is the total of column H

Box 9 is the column of G and H

Additional Assistance or Advice:

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

The VAT Section
Inland Revenue Department
Manoel Street
CASTRIES
Or

Telephone No. (758) 468–1420

Email: vatinfo@vat.gov.lc

Or visit our website at: www.vat.gov.lc

Tel: (758) 468 1420
Email: vatcoordinator@vat.gov.lc
vatinfo@vat,gov.lc

Website: www.vat.gov.lc