VAT and the Registered Business

Responsibilities of VAT Registered Business:

- Must display the VAT certificate prominently.
- Must issue VAT invoices to other VAT registered businesses and VAT sales receipts to other customers;
- Must file VAT returns monthly and account for the tax collected;
- Must keep proper business records;
- Also has income tax obligations and must file returns every year;

The Pricing Cycle - VAT Registered Taxpayers

Importation	**Full Domestic Accounting**						
To Customs	**To Inland Revenue Department**						
$9	+	$6	+	$3	+	$12	Total VAT = $30
	Output $15 Input -$9 Returns $6		Output $18 Input -$15 Returns $3		Output $30 Input -$18 Returns $12		
	Importer		Wholesaler		Retailer		Consumer
	Cost: $60 Mark-up: $40 VAT: $15 Sell for: $115		Cost: $100 Mark-up: $20 VAT: $18 Sell for: $138		Cost: $120 Mark-up: $80 VAT: $30 Sell for: $230		Cost :$230 (VAT Incl. $30)

Each supplier is registered and accounts for the VAT through his monthly returns

The diagram above explains the accounting cycle of registered taxpayers. The Importer, a VAT Registered Taxpayer paid $60 for the goods purchased overseas. At Customs he pays $9 VAT ($60.00 x 15%). The importer now prices his goods for sale to a Wholesaler who is also a VAT Registered Taxpayer, he takes the cost of the good ($60.00) without the VAT paid and add his markup of $40 then he adds on the VAT, making his price now $115 vat inclusive. He sells to the Wholesaler and collects the output vat of $15. He retains his original input VAT of $9 which was paid at Customs and remits $6 ($15 – $9) to the Inland Revenue Department with his returns at the end of the tax period.

The Wholesaler's cost is $100 (exclusive of the input vat of $15) he adds his markup of $20 and sells the good for$138 inclusive of $18 VAT (120 x 15%) The Wholesaler sells to the unregistered retailer and collects the output vat of $18. He retains his input VAT of $15 and remits $3 (18 – 15) VAT to the IRD with his returns.

The retailer's cost is 120 (again exclusive of the $18 vat he paid the wholesaler). He adds his markup of 80 and sells the good for $230 inclusive of $30 output vat (200 x 15%). He retains his input vat of $18 and remits the $12 excess to IRD with his returns.