



VAT

VALUE ADDED TAX

ST. KITTS & NEVIS

Introduction to VAT Guide

Reclaiming VAT on your purchases

On what items can VAT be reclaimed.

Generally, you can reclaim the VAT that you pay when you buy goods or services for your business. This VAT is called input tax by St. Christopher & Nevis Value Added Tax (VAT) Act 2010.

You can reclaim input tax on your purchases regardless of whether the goods or services your business sells are standard, reduced or zero-rated for VAT.

However, you will need all required documentation, such as VAT receipts, to be able to reclaim the input tax that you have paid. You cannot reclaim VAT paid on any items related to goods or services you sell that are exempt from VAT.

Can you reclaim VAT on purchases made before VAT implementation or before your VAT registration?

VAT is only reclaimable on goods and services you (the registered taxpayer) paid for on or after the effective implementation date of the VAT Act which is dated by law of the Federation of St. Christopher and Nevis as November 1, 2010.

If you buy goods or services before you registered for VAT, you cannot reclaim the VAT you paid on them, as specified in the VAT Act section 36. You can only claim VAT on or after your effective date of registration.

Likewise, you cannot reclaim VAT on any of these goods:

- goods that you've completely used up before you registered for VAT
- goods that you have already sold or supplied before being registered, or have used to make goods you have sold or supplied before being registered
- goods that relate to supplies you make that are exempt from VAT

The word 'goods' includes goods that are intended for resale, and goods that you keep as assets, such as computer systems, shop fittings, office equipment and furniture, tills, vans and other equipment. It also covers anything else you've bought that isn't a service, so it includes consumables such as stationery.

Record of goods

Even though there are some goods which are either Zero-Rated or Exempted from VAT, you must keep a detailed stock account of the goods on which you are reclaiming VAT. Your records must show:

- a description and quantities of goods you bought and the dates you bought them

- when you have used any of the goods you bought to make other goods
- when you have disposed of any of these goods after you were registered for VAT

Record of services

There are some services that account for different VAT rates as stated under Section 27 of the VAT Act. For example, some services account for a Reduced VAT Rate (10%) whereas others are deemed at standard Rate of 17%. You must keep a detailed account of the services for which you are reclaiming VAT. Your records must show:

- a description of the services and the dates when you received them
- whether any services you received relate to goods you disposed of after you were registered for VAT

Exempt or partly exempt businesses

There are some goods and services on which VAT is not charged. These are exempt from VAT. Please see Section 31 thru 36 of the VAT Act. If all the goods and services you sell are exempt, your business is exempt, and you will not be able to register for VAT. This means you won't be able to reclaim any VAT on your business purchases.

If only some of the goods and services, you sell are exempt then your business is partly exempt, and you'll be able to get back some of the VAT you pay on your business purchases.

Sale of a going-concern

The sale of a going-concern is the sale of a business that is sold wholly or the sale of a part of the business capable of operating separately. The business must be a going-concern at the time of sale and carried on up to the time of the transfer to the purchaser.

Going-concern criteria

Instead of starting up a new business yourself, you might buy a business that someone else has set up and already in operation. This is known as taking over a business as a going-concern.

To be a going-concern, a supply must meet these criteria:

- It must be the supply of the whole or stand-alone part of a taxable activity, from a registered person to another registered person.
- It must be the supply of all the goods and services necessary for the continued operation of the activity.
- Both parties must agree in writing that there is a supply of a going-concern.
- Both parties must intend that the activity is capable of being carried on as a going-concern by the purchaser. Such a sale by one registered person to another registered person is zero-rated (VAT content is nil).

Product samples

Sometimes you might give away free samples of your products for people to try. Free samples are treated differently for VAT and you don't have to account for VAT on free samples that you receive from your supplier to give to another person or business.

Business benefits, employees and VAT

Branches of Your Business:

If your Business operates at different branches or divisions, you shall be deemed to be a single Business or person conducting the taxable activity and no separate registration of branches or divisions shall be allowed.

Trustee:

A person who is a trustee in more than one capacity shall be treated as a separate person in relation to each of those capacities.

Employee Expenses:

People employed by you, and directors, partners or anyone managing the business may be entitled to claim back VAT on certain expenses incurred for the purposes of the business.

Scheme:

Schemes for obtaining tax benefits

Schemes include any agreement, arrangement, promise, or undertaking, whether express or implied and whether legally enforceable, and any plan, proposal, or course of action. The tax benefit includes:

- a reduction in the liability of a person to pay value added tax;
- an increase in the entitlement of a person to a deduction or refund;
- a postponement of liability for the payment of value added tax;
- an acceleration of entitlement to a deduction for input tax; or
- any other avoidance or benefit from the delay in payment of tax or acceleration of entitlement to a deduction for input tax.

Reclaiming VAT on bad debts

How to get the VAT back if a customer does not pay you and you have already paid VAT on the sales? It must be remembered that a registered person accounts for VAT on the basis of time of supply which, for the normal case, is the earliest of:

1. date of issue of invoice;
2. date of payment; or
3. 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.

A registered person may be allowed to claim for bad debt relief if he satisfies the following criteria:

1. he must have already accounted for VAT on the supply in respect of which the amount is outstanding;
2. all or part of the consideration must be outstanding despite reasonable efforts have been made to collect it;
3. the amount must have been written off in his books as a bad debt.

An input tax deduction is allowed for tax paid in respect of a taxable supply made by the registered person where the whole or part of the consideration for the supply is subsequently treated as a bad debt.

However, this deduction shall be allowed only if the taxable supply is made to a person other than a registered person or the taxable supply is made to a registered person and the person claiming the deduction under that subsection issued a tax credit note to the registered purchaser listing the amount claimed under the following formula referred to in VAT Act section 42 subsection (12), being subjected to subsection (9):

$A \times B/C$

where:

A is the amount allowed as a deduction

B is the amount of the bad debt recovered; and

C is the amount of the bad debt previously written off

The formula states that where any amount in respect of which a deduction is allowed at any time wholly or partly recovered by the registered person, the registered person shall be treated as having charged tax in respect of a taxable supply made during the tax period in which the bad debt is wholly or partly recovered, being an amount of tax calculated according to the above mentioned formula.

The amount of the deduction allowed is the amount of the tax paid in respect of the taxable supply which corresponds to the amount of the debt treated as bad.

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

Exempt goods and services: Can you reclaim VAT if you only sell or supply exempt goods or services?

If you only sell or otherwise supply goods or services that are exempt from VAT, then your business is an exempt business and:

- you cannot register for VAT
- you cannot recover any VAT you incur on your purchases or expenses

This contrasts with the situation if you sell or otherwise supply zero-rated goods or services, where you can reclaim the VAT on any purchases that relate to those sales.

Exempt goods and services: Can you reclaim VAT if you are registered for VAT but have some exempt supplies

Generally, you cannot reclaim input tax incurred on the supply of exempt goods and services.

If your business is partly exempt, meaning; you sell a proportion of exempt supplies along with Standard rated supplies and/or Zero-rated supplies and you want to reclaim input tax - the VAT you incur on purchases that relate to your business activities - you must make appropriate calculations each time you complete your VAT Return of the value of each supply.