



VAT

VALUE ADDED TAX

ST. KITTS & NEVIS

Introduction to VAT Guide

Introduction to VAT

Value Added Tax (VAT) is a tax that is charged on most goods and services that VAT-registered businesses provide in the Federation. It is also charged on goods and some services that are imported from countries outside the Federation and brought into St. Christopher and Nevis.

What is VAT?

VAT is a tax charged on most business transactions in St. Christopher and Nevis. Businesses add VAT to the price they charge when they provide goods and services to:

- Business customers - for example a stationery store purchases in bulk from a wholesale business will be charged VAT on the prices the items once they are taxable.
- Individual customers – (consumers) – for example consumers purchase groceries from a supermarket will be charged VAT on the items purchased as long as they are taxable.
- Government customers – for example government departments will be charged VAT on the items they purchase from businesses once items are taxable.

If you are a VAT-registered business, you will:

- Charge VAT on the goods and services you provide that are taxable and
- Reclaim most the VAT you pay when you buy goods and services for your business that are taxable

If you are not VAT-registered, then you **cannot** reclaim the VAT you pay when you purchase goods and services.

VAT is charged when a VAT-registered business sells to either

- another business
- an individual
- government

There are three rates of VAT, depending on the goods or services the business provides. The rates are:

- standard - 17 per cent
- reduced - 10 per cent (hotel accommodation and restaurants)
- zero - 0 per cent

Examples of Zero-Rated Items

These are examples of goods and services that are zero-rated, depending on the product itself and the circumstances of the sale:

- flour
- sugar
- milk (not condensed, chocolate, cream or soy)

- rice (white & brown)
- oats
- bread

Items Not Covered by VAT

There are some items that are not covered by VAT. These items are referred to as Exempt goods and services.

Exempt items

These include the following:

- insurance (vehicle, medical, life, property)
- transportation
- education services (tuition fees)
- interest on loans
- electricity
- water (domestic)
- most services provided by doctors and dentists

This is not a full list of zero-rated items. For more details, see the Third Schedule of the Value Added Tax Act or the Exempt Supplies flyer. .

Outside the Scope of VAT

There are some things that aren't in the St. Christopher & Nevis VAT system. They are considered to be outside the scope of VAT. They are not taxable supplies and as such no VAT is charged on them. Items that are outside the scope of VAT include:

- non-business activities like a hobby - for example, you might sell some stamps from your collection and
- government licenses and fees

The difference between exempt and Zero-Rated

When VAT-registered businesses buy goods or services they can generally reclaim the VAT they have paid.

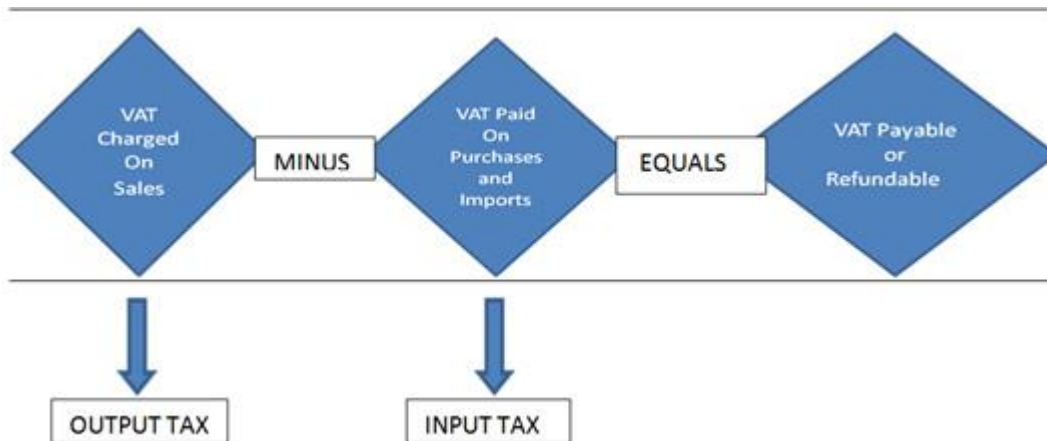
If a VAT registered business sells zero-rated goods or services they count as taxable supplies, because VAT is charged at a rate of zero percent. You can also claim an input tax deduction on these items as well to recover any VAT incurred in supplying these items.

If you sell goods or services that are exempt, you don't charge any VAT as they are not taxable supplies.

How VAT is charged and accounted for?

If you are VAT-registered, the VAT you add to the sale price of your goods or services is called your 'output tax'. The VAT you pay when you buy goods and services for your business and the VAT you paid to Customs is called your 'input tax'.

VAT CALCULATION



Filing your VAT return

If you are VAT-registered, you will have to submit a VAT Return at monthly intervals on or before the 15th of the next month - the return shows:

- The VAT you have charged on your sales to your customers in the period is known as output tax
- The VAT you have paid on your local purchases and to The Customs and Excise Department is known as input tax.

If the amount of output tax is more than the input tax, then you pay the difference into the Inland Revenue Department with your return.

If the input tax is more than your output tax, you file a credit return with Inland Revenue Department.

What about supplies made by the government?

The Government is also liable to be registered and is treated as a single person, i.e. any Ministry, Department, will be taken to be that same person. The Government does not generally charge VAT on license fees or services. However, where the Government supplies any goods or services that places it in competition with a supplier in the private sector, VAT should generally be collected on the sale of those goods or services.

I am still confused, where can I get more help with VAT?

Contact us at:

St. Christopher

Inland Revenue Department, Bay Road, Basseterre, St. Christopher
Tel: 1 - 869 465-8485

Nevis

Main Street, Charlestown, and Nevis
Tel: 1 - 869 469-5521 ext. 2221

VAT Glossary

- These are some plain English definitions of common VAT terms that Inland Revenue Department uses: Acquisition: an asset bought or obtained. Goods brought into St. Christopher & Nevis from other countries
- Company: corporate or unincorporated body, recognized under any law enforced in St. Christopher & Nevis, created for profit or non-profit purposes excluding a partnership or trust
- Exports: goods sent outside St. Christopher & Nevis to another country
- Import: bringing or causing to be brought into St. Christopher & Nevis. Services supplied to a resident by a non-resident or by a resident from a business carried on by the resident outside St. Christopher and Nevis as long as the services are not consumed by the registered person in making taxable supplies.
- Imports: goods brought into St. Christopher & Nevis from another country
- Input Tax: the VAT you pay on your purchases or imports
- Output Tax: the VAT you charge on your sales
- Place of Supply: the place where goods are delivered by a supplier to the recipient or made available by the supplier to the recipient or if the delivery involves goods being transported, the place where goods are when transportation commences
- Self-Billing: your customer issues your VAT invoice and sends a copy to you with their payment
- Supply: selling or otherwise providing goods or services, including barter and some free provision. When exclusive ownership of goods passes from one person to another
- Taxable Person: any business entity that buys or sells goods or services and is required to be registered for VAT - this includes individuals, partnerships, companies, clubs, associations and charities
- Taxable Supplies: all goods and services sold or otherwise supplied by a taxable person which are liable to VAT at the standard, reduced or zero rate
- Taxable Turnover: the total value - excluding VAT - of the taxable supplies you make in St. Christopher & Nevis (excludes capital items like buildings, equipment, vehicles or exempt supplies)
- Tax Period: the period of time covered by your VAT Return which is one calendar month

- Time of Supply: a supply of goods or services occurs on the earliest of the following: goods or services delivered or received, an invoice issued by supplier or consideration is received.