



# VAT

VALUE ADDED TAX

## ST. KITTS & NEVIS

**Introduction to VAT Guide**

## When to Register

If you're unsure about whether to register for VAT, this guide will help to answer many of your questions. It explains when you must register and when you can register voluntarily, and why you might benefit from voluntary registration. It also explains:

- the circumstances in which you can register
- the circumstances in which you can't register
- the circumstances in which you don't need to register and
- information relating to the calculation of your VAT taxable turn over

### Who can and cannot register for VAT

If you conduct a taxable activity that involves the supply of goods or services that are taxable, you may be required to register to charge VAT if you meet the registration threshold.

A “taxable activity” is defined under Section 6 of the VAT Act “as an activity which is carried on continuously or regularly by any person in St. Christopher and Nevis or partly, whether or not for profit, that involves or is, intended to involve, in whole or in part, the supply of goods or services to another person for consideration.”

### You can apply for VAT registration if:

In the case of the supply of goods (retail and wholesale)

- At the end of any period of 12 months or fewer months, your total value of taxable supplies, exceeds \$150,000 or
- At the beginning of any period of three hundred and sixty-five calendar days, there are reasonable grounds to expect that the total value of your taxable supplies will exceed \$150,000.

*You must not attempt to avoid registration by artificially separating business activities to reduce your turnover.*

In the case of the supply of services (professionals and; persons involved in commercial and time-share property for lease):

- At the end of any period of 12 months or fewer months, you render services and the dollar value of fees charged exceed \$96,000 within a period of 12 months or 365 days.

### **In the case of a promoter of public entertainment, a licensee or a proprietor of a place of public entertainment**

A person who is a licensee, proprietor of a place of public entertainment or promoter of public entertainment shall apply for registration seven calendar days prior to hosting the event.

### **In the case of auctioneers**

A person who is an auctioneer shall become a taxable person from the date the person becomes an auctioneer, therefore auctioneers are required to register prior to engaging in auctioning activity.

### Your application for registration may be revoked if:

- You have no fixed place of abode or business
- You do not keep proper records or
- The Comptroller has reasonable grounds to believe that you
  1. will not keep proper records; or
  2. will not submit regular and reliable tax returns or
  3. have not complied with your obligations under other tax laws including customs

### You may not be required to register if:

The Comptroller is satisfied that you exceeded the required thresholds as a result of

1. cessation of a taxable activity carried on by a person
2. substantial and permanent reduction in the size and scale of a taxable activity carried on by the person; or
3. replacement of old capital goods used in connection with the person's taxable activity

### Failure to register for VAT when eligible

If you do not register for VAT after you would have become eligible, the Comptroller may register you, and your date of registration shall take effect on the date prescribed by the Comptroller. Therefore, you will still be liable for all VAT due from the time that you should have been registered. This means that you will have to pay Inland Revenue Department for VAT on your sales from the date you should have been registered, even though you have not charged your customers VAT. Your sales from that period would be deemed VAT inclusive.

You may also be penalized financially by being liable to pay a civil penalty of double the amount of output tax payable.

### What to do if you are penalized for late VAT registration

In general, if you have been penalized you should settle the outstanding amounts immediately. However, if you disagree with being penalized or with the amount of your penalty, you may appeal.

### If you have a place of business in St. Christopher and Nevis but you don't live here

If you have a place of business and wish to register but you don't live in the Federation, you may want to appoint a representative to register you and to keep VAT records and accounts on your behalf.

## Voluntary registration

If you do not meet the registration requirements but wish to register you may apply to the Comptroller of Inland Revenue for consideration to be registered. However, there is no guarantee that you would be registered, as it will depend on your ability to keep proper records amongst other things.

## Benefits of voluntary registration

There are potential cash flow advantages of being able to charge VAT on your sales and claim back VAT on your purchases, which you may benefit from depending on your circumstances. For example:

- If you sell zero-rated items and buy standard-rated items, you would receive a VAT refund from Inland Revenue Department
- If you have not yet sold anything or don't sell anything during a VAT accounting period, you may still be able to claim VAT back on your purchases

If you're thinking about registering voluntarily, you might want to check the rules for reclaiming VAT on purchases made before registration since it is often possible to reclaim some of the VAT you are charged on goods or services that you use to set up your business.

## Responsibilities of voluntary registration

If you decide to voluntarily register for VAT, you have the same responsibilities as someone who must register. You must keep all required VAT records and issue VAT invoices. You also must complete and submit a VAT Return monthly, along with your payment if one is due.

## Calculating your VAT taxable turnover

Your VAT taxable turnover includes the value of any goods or services you supply within St. Christopher & Nevis, unless they are exempt from VAT. This means you must also include any supplies you make that would be zero-rated for VAT.

You must not attempt to avoid registration by artificially separating business activities to reduce your turnover.

## Do not avoid registering for VAT by artificially separating business activities

If you run more than one business the sales in all those businesses must normally be added together to determine whether you must register for VAT. However, if you are involved in the running of several separate legal entities, you may not need to combine the sales of those businesses to find whether you need to be VAT-registered.

If Inland Revenue Department decides that you have artificially separated one business into smaller parts to avoid registering for VAT, it can decide that the entire business is a single taxable person and therefore must be registered for VAT.

**VAT Registration is FREE, so if you qualify, be sure to register today.**