



# VAT

VALUE ADDED TAX

## ST. KITTS & NEVIS

Charging VAT on your sales and other supplies

# Charging VAT on your sales and other supplies

A registered person is required by law, to charge VAT on the taxable supplies made to customers and to ensure that the correct rate of tax is applied to these supplies.

## Accounting for the VAT

A registered person is liable to account for the VAT on all taxable supplies made, including those taxable supplies on which no tax may have been charged.

## Goods and services where you must charge VAT

If you are registered for VAT, you must charge VAT on all VAT supplies of goods and services that you make. 'Supplies' include day-to-day sales as well as anything else that you sell or invoice for, such as assets and commission, and anything else you supply or take out of the business even if you don't charge for it, such as loans, gifts, samples and anything used privately. There are some exceptions.

VAT is charged on sales and other supplies.

If you are registered for VAT, you must charge VAT on all supplies of goods and services that you produce within the Federation of St. Christopher and Nevis, at the appropriate rate, unless they are specifically exempt from VAT as noted in the VAT act.

Please see subsection **“Rates of VAT on different goods and services”** for the different rates that the VAT Act provides as applicable

## Exempt supplies for VAT purposes

Some goods and services are exempt from VAT, such as insurance and finance, education and training, and charitable fund-raising events as listed below.

If some of the goods or services, you supply are exempt from VAT this can affect how much VAT you can reclaim on your purchases.

If all of the goods and services you sell are exempt, your business is exempt, and you would not be able to register for VAT. This means you would not be able to reclaim any VAT on your business purchases.

If you are VAT-registered and incur any input tax that will be used to make exempt supplies, you are classed as partly exempt.

Items that are exempt from VAT include the following:

- financial services
- educational services
- rental of residential property for dwelling

- sale of real property
- international transportation
- domestic transportation of goods and passengers
- locally produced agricultural products by the producer
- water for domestic use, including bottled water
- supply of electricity for residential and commercial use
- day-care services
- certain supplies of goods or services by the State, or Nevis Island Administration if the consideration for the supply is nominal in amount or not intended to recover costs as determined by the Comptroller
- a supply of any goods or services by an approved Charitable Organisation, or an association not for gain in connection with a taxable activity, where the consideration for the goods or services is nominal in amount or not intended to recover the cost of such goods or services as determined by the Comptroller
- a supply of religious services by an institution of religious worship
- a supply of basic construction services on a dwelling and
- a supply of medicines including multi-vitamins.

## Rates of VAT

If you are registered for VAT and you make VAT taxable supplies, it is required by law that you charge VAT on those supplies. Normally, you are required to charge VAT at the standard rate, unless the goods or services that you are selling, and the circumstances in which you are selling them, warrant you to charge a different rate as prescribed by the VAT law.

There are different rates of VAT, depending on the type of goods and/or services your business provides. There are three different rates. They are:

- standard rate - 17 per cent (17%)
- reduced rate - 10 per cent (10%)
- zero rate - 0 per cent (0%)

In addition, there are also some goods and services that are:

- Exempt - no VAT is charged on them

## Different goods and services - and their VAT Rate

- whereas the standard rate for all VAT transaction is 17% of the total value consumed, there are some goods and services that apply a reduce rate of VAT which accounts for 10% as stated by the VAT Act in section (27) (1) (d). These include:
  - accommodation services by a hotel, guest house, inn, or similar establishment; and
  - accommodation services in an apartment or room with utilities or furnishings provided by the lessor, but not including services to a renter in a private home;
  - the value of supply by a tour operator as defined in regulations made under this Act;
  - the value of supply by a restaurant as defined in regulations made under this Act. There are also specific VAT rules that apply to certain trades that affect how your account for VAT, and how much VAT you must pay and can reclaim.

## International Trade

Most goods exported outside the Federation of St. Christopher and Nevis are zero-rated, subject to conditions. Most exports are zero-rated. However, any claim for a VAT refund will only be paid after it has been verified that the goods or services have been exported.

It is the registered person's responsibility to ensure that there is adequate evidence of exportation before making a claim that the goods and services are zero-rated.

## Second-hand traders and antique dealers

A dealer in second hand goods shall be allowed an input tax credit for an acquisition of second hand goods if the supply of goods to the dealer was not a taxable supply; and the dealer sells the second hand goods in a taxable supply on which tax is charged at the standard rate.

Please be guided though that some products though they may be passed on from one user or owner to another do not meet the criteria that satisfy the condition of second hand goods according to the VAT Act section 40 subsection (4) (a) and (b) and subsection (8) (a), (b), (c), (d) and (e). Hence, such exemptions as defined by the Act shall not be entitled to input tax credit.

Hereby, "second hands goods" mean goods which have been previously used except the following:

1. precious metals or goods made of precious metals being
  - gold (in an investment form) at least 99.5% fineness;
  - silver (in an investment form) at least 99.9% fineness;
  - platinum (in an investment form) at least 99% fineness;
  - goods to the extent that they would fall within (i), (ii), or (iii) if they were of the required fineness;
2. diamonds, rubies, emeralds, or sapphires that are not mounted, set, or strung;
3. animals or plants;
4. real property;
5. goods valued for \$10,000 and less.

## Bookshops, newsagents, stationers and music shops

Some printed material such as books, newspapers and pamphlets are exempted from VAT but this does NOT include the service of printing the above items, electronic books (CDs), DVDs, charts.

## Video and DVD rental

The sale or rental of videos and DVD's by a registered business is subject to VAT.

## Farmers

Farmers will benefit when they supply locally produced or manufactured agricultural products that are exempted from VAT, such as poultry, eggs, fish, vegetables, fruits, flowers, pigs, goats, cows and their related products but does NOT include produce sold by a retailer or supermarket.

In addition, farmers must be aware that the supply of various Agricultural and Fishing inputs are also exempted from VAT.

These include:

- seeds, seedlings, cuttings and fertilizers, pesticides, insecticides (including those for household use for e.g. bop, baygon etc), and other treatments
- herbicides, fungicides and nematicides
- animal feed other than food for domesticated animals generally held as pets
- ventilated boxes and packing films specifically designed for use in transporting unprocessed agriculture products;
- plant propagation bags;
- fiberglass and wooden boats, anchors, G.P.S, compass, V.H.F radio etc
- Equipment and machinery specifically designed for agricultural and horticultural use

## Discounts, vouchers, special offers and VAT

Many businesses offer specific or variable rates of discount to their customers, some of which may be in the form of vouchers or special offers.

VAT is hereby applicable on the discounted price of the goods and services being supplied.

## VAT invoices

If you are registered for VAT, then whenever you supply goods or services to your customers including other VAT registrants, you must give them a VAT invoice.

If you are VAT registered, you can normally only reclaim VAT on purchases made for your business when you have a valid VAT invoice for the purchase.

## What is a VAT invoice?

A VAT invoice is a document that shows certain information about what is being transacted, whenever goods or services are supplied by a registered person to another registered person.

A VAT invoice, which should be pre-numbered and must show the following:

1. the words "VALUE ADDED TAX INVOICE" or "VAT INVOICE" in a prominent place;
2. the name, address, and TIN of the supplier;
3. the name, address, and TIN of the recipient;
4. the date on which the VAT invoice is issued;

5. a description of the goods or services supplied, including the quantity
6. the consideration for the supply; and
7. the amount of VAT charged.

The VAT invoice should be in two copies (one for the purchaser, one for the supplier to be made available to the Inland Revenue Department when requested).

## What is not a VAT invoice?

The following are not VAT invoices:

- pro-forma invoices
- invoices that state 'this is not a tax invoice'
- statements
- delivery notes
- orders
- letters, emails or other correspondence

Hence, you cannot reclaim the VAT you have paid on a purchase by using these documents as proof of payment.

For each different type of item listed on the invoice, you must show:

- the unit price or rate, excluding VAT
- the quantity of goods or the extent of the services
- the rate of VAT that applies (Standard rate, zero-rated, exempt) to what's being sold
- the total amount payable, excluding VAT
- the rate of any cash discount
- the total amount of VAT charged
- If you issue a VAT invoice that includes zero-rated or exempt goods or services, you must:
  - show clearly that there is no VAT payable on those goods or services
- show the total of those values separately

## When a VAT invoice must not be issued

You must not issue a VAT invoice in the following situations:

- you are not registered for VAT
- the goods and services you are providing are exempted from VAT

## Pro-Forma invoices

If you need to issue a sales document for goods or services you have not supplied yet, you can issue a 'pro-forma' invoice or a similar document to offer goods or services to customers.

A pro-forma invoice sometime called an “estimate” is not a VAT invoice, thus you should clearly identify them with the words 'This is not a VAT invoice'.

If your potential customers accept the goods or services you are offering them and if you actually supply them, then you will need to issue a VAT invoice within the appropriate time limit as noted in the VAT Act, section 36 “Time of Supply.” If you have been issued with a pro-forma invoice by your supplier, who is also registered for VAT you cannot use that to claim back VAT on the purchase. You must obtain a VAT invoice from that supplier.

Only VAT-registered businesses can issue valid VAT invoices. You cannot reclaim VAT on any goods or services that you buy from a business that is not VAT registered.