



# VAT

VALUE ADDED TAX

## ST. KITTS & NEVIS

Part Exchanges, Returned Good, Deposits, etc.

## Part-Exchanges, Returned Goods, Deposits, etc

This guide explains the details of what you need to do when you issue or receive a credit note or a debit note.

If a person returns goods to a supplier for a full or partial credit the supplier shall adjust the VAT on the transaction by replacing the invoice or issue a credit as appropriate.

If you replace returned goods with goods of lesser or greater value, you must adjust the VAT on the transaction by issuing a credit note or debit note.

If you obtain a credit note or debit note or issue a credit note or debit note, you must record this in your records. On your next VAT return, you must record the adjustments in the appropriate columns.

### What to do if you receive a credit note?

If you receive a credit note, you must:

- record this in your accounting records
- on your next VAT return, the adjustment must be recorded as Output Tax on line #135 of your Tax Return form.

If a supplier issues a VAT invoice for goods or services to a recipient for a consideration which is less than the true consideration, the supplier may:

- cancel and recover the original invoice, and issue a replacement invoice showing the correct amount of any VAT due, if any or;
- issue a debit note.

### What you must do if you issue a debit note?

If you the seller issues a debit note, you must:

- record this in your accounting records
- on your next VAT return, the adjustments must be recorded as Input Tax on line #225 of your Tax Return form.

### What a VAT credit note must show?

A valid credit note must also show:

- the words “tax credit note” shown in a prominent place
- the name, address and Taxpayer Identification Number (TIN) of the supplier
- the name and address of the customer
- the reason for its issue
- information enough to identify the taxable supply to which the tax credit note relates

- the rate and amount of VAT credited
- the date on which the tax credit note was issued

## What a VAT debit note must show?

Valid debit note must also show:

- the words “tax debit note” shown in a prominent place
- the name, address and Taxpayer Identification Number (TIN) of the supplier
- the name and address of the customer
- the reason for its issue
- information sufficient to identify the taxable supply to which the tax debit note relates
- the rate and amount of VAT debited
- the date on which the tax debit note was issued

## Samples, part-exchanges, barter transactions and VAT

If you are registered for VAT, you must charge VAT on all taxable supplies of goods or services that you make. 'Supplies' can be day-to-day sales as well as other transactions such as free samples, part-exchanges, barter transactions and contras - also known as 'set-offs'.

You might also acquire goods or services for your business through these sorts of transactions. This guide explains how to deal with samples, part-exchanges, barter transactions and set-offs so that you can enter the correct amounts of input and output tax on your VAT Returns.

## Time of supply

Time of supply occurs when a transaction takes place for VAT purposes, and this is for goods and services. If you make any of the transactions in this guide, you will need to check that you are getting the right transaction on the right VAT Return.

## General conditions

The first condition is that you shall not charge for the sample. It must be genuinely free and you cannot receive anything in return for it.

The second condition is that the sample must be an example of one of your products and you must give it for a genuine business reason. Advertising your products to the public would be a genuine business reason, but giving a sample as a present for personal reasons would not.

Note that you do not have to account for VAT if these are also free samples that you received from your supplier.

## Samples given to the general public via a third party

You might decide to give free samples to advertise your products to members of the public. You could do this by engaging a third party, such as a business promotions company, to distribute them.

Or you could give the samples to a client so that they can give one to each of their customers.

An example would be a sweet manufacturer that gives retailers samples of a new chocolate bar to give to customers so they can try it.

VAT is not payable on samples given to the general public by a third party if you meet all the following conditions:

- neither you nor the third-party charge for them
- you supply them for genuine business reasons, and they are a typical example of your products
- the final customer receives only one example of each product
- the samples remain your property until they are given to the final customer
- any samples that aren't used are returned to you or destroyed

## Installment payments, hire purchase, deposits and credit sales

VAT and installments:

How to charge or reclaim VAT for payments in advance, installments, on deposits, or on credit schemes?

Your business might offer customers the option to pay for goods and services in different ways. These include:

- paying in installments
- credit sales, both with and without the involvement of a finance company
- making advance payments
- Deposits and VAT

Advance Payments and Deposits:

An advance payment, or deposit, refers to a proportionate payment of the total selling price that a customer pays before you supply the goods or services to that customer.

If you ask for an advance payment, the time of supply is whichever of the following happens first:

- the date you issue a VAT invoice for the advance payment
- the date you receive the advance payment

You include the VAT on the advance payment on the VAT Return for the period when the VAT invoice is issued or the advance payment is received.

If the customer pays you the remaining balance before the goods are delivered or the services are performed, another time of supply is created when whichever of the following happens first:

- you issue a VAT invoice for the balance
- you receive payment of the balance

So you include the VAT on the balance on the VAT return for the period when the invoice for the balance or payment of the balance is received.

#### Credit Sales and VAT:

A 'credit sale' means the sale of goods which immediately become the property of your customer but where the price is paid to you in installments.

The basic time of supply for a credit sale is created at the time you supply the goods or services to your customer, which is when you should account for the VAT on the full value of the goods.

#### Hire Purchase:

Hire purchase agreement means a transaction which takes the form of a lease and intended to transfer ownership of goods at the end of a specified term under which the periodic payments are credited against the purchase price, but the ownership of the goods remains with the seller, or financial institution acting as seller, until the purchase price is paid.

However, VAT is payable on the total consideration when the agreement commences. In other words, the total VAT is paid up front.

### Damaged goods that you sell on

Occasionally products may arrive to your business damaged from your supply or staff may accidentally damage goods.

However, if you insist on selling the damaged goods, VAT is to be applied normally at the prescribed rate stated in the VAT Act whether those goods are classified as "Standard Rate, Reduced Rate or Zero-Rated."

### VAT and Duty-Free Shops

Goods purchased from duty-free shops by non-residents are zero-rated when a retailer holds documentary evidence, collected at the time of the supply, which establishes that goods are to be removed from St. Christopher and Nevis without being effectively used or enjoyed in

St. Christopher and Nevis. Such documentary evidence should include a valid passport, travel itinerary or cruise ship identification pass.

Based on the destination principal, purchases by tourist from a duty-free shop for export would receive the zero-rated treatment; however, sales to locals for domestic consumption would incur the full payment of VAT where applicable.

### **Example**

Martha Smithson, a tourist visiting the Federation on a luxury cruise line, purchases a diamond necklace at Diamonds R Forever at Port Zante. This item is zero-rated since the necklace will be shipped out of the country immediately upon departure of this cruise line. However, this is subjected to documentary evidence which should indicate that the purchaser Martha Smithson was a non-resident.

