

Discounted VAT Rate Day

Business Guidance



INTRODUCTION

This information provides guidance on the conditions for participation and the reporting requirement for the Discounted VAT Rate Day (DVRD) December 17th and 18th, 2021. Approved businesses will be allowed to charge VAT at the rate of 5% on the sale of goods.

Which Businesses are Eligible?

All VAT Registered businesses that have filed ALL Returns and have NO outstanding fees, licences, tax liabilities, penalties or interest due to the IRD or CED prior to DVR Day, may qualify to participate in the DVR Day. If you do not have any outstanding Returns or liability, you may complete the Application Form and submit it to the Inland Revenue Department by 3:00 pm on or before 10th December, 2021. The Department will indicate the status of your application in writing. If a business filed a VAT objection, eligibility is dependent on satisfying the conditions of that objection which includes submitting 50% of the tax in dispute.

Items Eligible

Tangible items that are presently subject to 17% VAT will qualify for the discounted VAT Rate on DVR Day. **In relation to vehicle purchases, VAT will be exempt on the first \$50,000.00. Any cost in excess of the \$50,000.00 will attract the standard 17% VAT. Persons receiving Duty Free concession on vehicle will NOT be eligible for the DVR Day VAT exemption on the first \$50,000.00. Hence, persons receiving Duty Free concession on vehicle will be required to pay the standard rate of 17% VAT upon purchasing a vehicle at Duty Free on DVR Day 2021.**

Non- tangible items such as the supply of professional services will continue to be subject to the 17% VAT rate. Services such as legal fees, restaurant supplies, rent, tickets for the game of chance (lottery/raffles) , top-ups and phone cards are NOT eligible for the reduced rate.

Items eligible MUST also be available for sale and immediately available for issuance or delivery to the customer on DVR Day. Orders for items not in stock DO NOT qualify.

Guns, Ammunition, Cigarettes and alcoholic beverages are **NOT** eligible.

Alcoholic Beverages **NOT** eligible include but are not limited to Wine, Brandy, Vodka, Whiskey, Gin, Rum, Liqueurs, cordials, Beer, Guinness, Royal Stout, Shandy Carib and Smirnoff Ice.

Filing Requirements

Businesses approved to participate in the DVR Day on the 16th and/or 18th, will be required to submit a schedule of the sales for that day by the end of day on **December 30th 2021**, to the Inland Revenue Department.

This will include all Sales at the reduced VAT Rate, Zero-rated or Exempt. The required form is available at the Taxpayer Services desk at the Inland Revenue Department. Failure to do so will attract interest and penalties.

Additionally, the VAT collected at the reduced rate MUST be reported on Line 135 of the VAT Return for the tax period December 2021.

Are Items sold on Credit and Hire Purchase eligible for the reduced rate?

YES! Eligible goods sold under a credit or hire purchase agreement will qualify for the reduced rate of 5% if the sale is concluded on the DVR Day. Businesses are reminded that the VAT on the sales under credit terms must be reported in its entirety whether or not payment has been made in full during that tax period.

Rules governing returns and exchanges.

If a customer buys a good at the special 5% rate during the DVR Day and exchanges it on the same day for another good, the 5% rate will still apply. The special rate will NOT apply if the exchange is done after DVR Day 2020.

If a customer buys a good during the DVR Day and returns the item after the Day for a credit on the purchase of a different item, the 17% VAT Rate would apply to the sale of the newly purchased item, even if it would have been eligible for the 5% Rate during DVR Day.

If a customer buys an item before the DVR Day, but returns the item during the DVR Day and receives credit on the purchase of a different item, the reduced rate shall NOT apply on the sale of the new item.

Contact Information

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