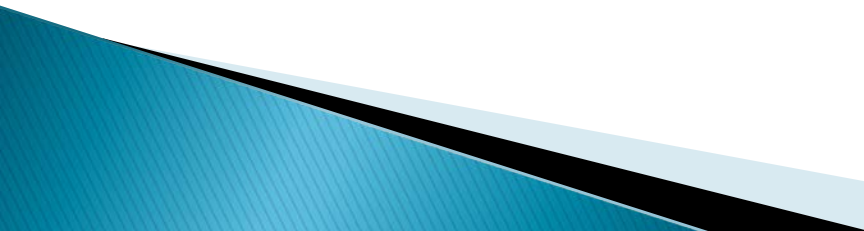


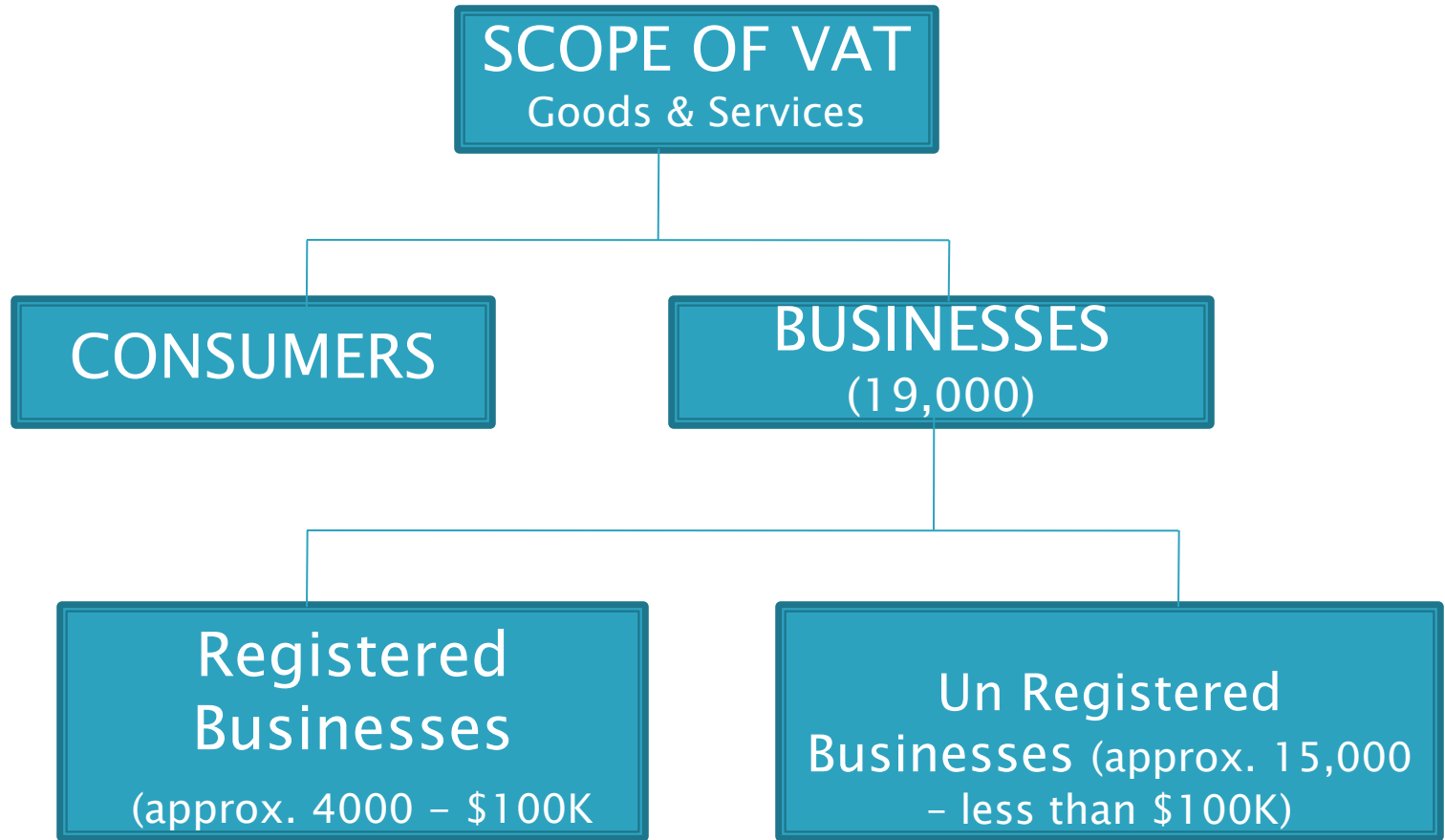
# VALUE ADDED TAX (VAT) & THE CONSUMER

*Public Forum  
November 2013*

# VAT FOR THE CONSUMER

- ▶ Charged or added to the value of goods or services purchased locally;
  - ▶ Charged or added to the value of goods or services imported;
  - ▶ Tax collected by “VAT Registered Business” on behalf of the Government;
- 

# SCOPE OF VAT



# Design of VAT

The VAT is designed to improve administrative efficiency, increase compliance and improve revenue generation

- + Standard rate (15%)
- + Reduced rate – 10% (Hotel Accommodation & Food and Beverages)
- + Zero-rate (0%) (e.g. exports & international travel)
- + Exemptions of some goods and services
- + Supported by Reduction in Customs Duties & Excise Tax

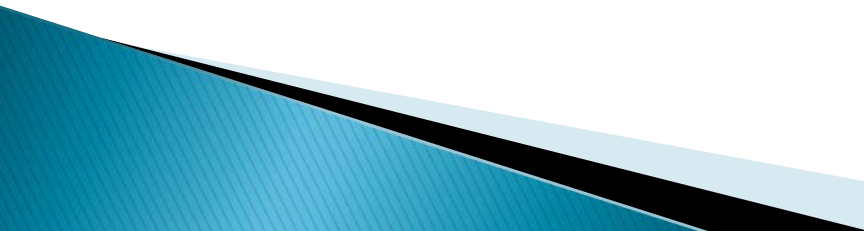
# Design of VAT Cont'd

The following supplies are proposed to be exempt

from VAT:-

- Educational Services
- Medical & Dental Services
- Certain Bread basket food items (list to be confirmed)
- Some Financial Services
- Sale and rental of residential homes
- Domestic transport

# VAT & The Consumer

- ▶ Everyone will pay
  - ▶ To be paid when items are imported into the country as is done now under the customs duty
    - Claim annual allowance
  - ▶ To be paid when goods & services are bought locally from VAT registered retailer
  - ▶ No filing requirement to the Government
- 

# CONSUMER CONCERNS

- ▶ Price Impact
  - Price increase in services & most goods
  - Overall price increase – 5%–6% (IDB Studies)
  - Social Safety Net Programmes
- ▶ Price Control
  - Strengthen existing structures to monitor price increases
- ▶ Shift in consumption pattern
  - Manage consumption (exempt vs. taxable)

# WHAT DO YOU NEED TO KNOW .....

## The Consumer

### Be aware of the following:-

- Supplier is a VAT registrant or not;
- VAT Registration Certificate is visible;
- Prices displayed show VAT exclusive amounts;
- **MUST** receive sales receipt when purchases are made from VAT Registrants
- Will pay VAT on imports and receive annual allowance
- Know which goods/services are VAT exempt and which ones are taxable
- Unregistered businesses cannot charge VAT



▶ **Government's Fiscal Position  
projected as at 30 June, 2014**



	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	Projected 2013/14	TOTAL
1. Recurrent Expenditure	1421	1499	1529	1642	1632	1659	1737	
2. Recurrent Revenue	1445	1331	1292	1452	1432	1380	1503	
<b>3. Recurrent Deficit (2-1)</b>	<b>24</b>	<b>-168</b>	<b>-237</b>	<b>-190</b>	<b>-200</b>	<b>-279</b>	<b>-234</b>	<b>-1284</b>
4. Capital Expenditure	-231	-262	-251	-263	-395	-350	<b>-295</b>	-2047
5. Capital Revenue	10	0	0	210	87	0	0	307
<b>6. Capital Deficit (5- 4)</b>	<b>-221</b>	<b>-262</b>	<b>-251</b>	<b>-53</b>	<b>-308</b>	<b>-350</b>	<b>-295</b>	<b>-1740</b>
<b>7 TOTAL DEFICIT (3+6)</b>	<b>-197</b>	<b>-430</b>	<b>-488</b>	<b>-243</b>	<b>-508</b>	<b>-629</b>	<b>-529</b>	<b>-3024</b>
8. Debt Redemption	62	67	89	77	63	121	86	565
<b>9. GFS Deficit (7-8)</b>	<b>-135</b>	<b>-363</b>	<b>-399</b>	<b>-166</b>	<b>-445</b>	<b>-508</b>	<b>-443</b>	<b>-2459</b>
<b>Govt Debt ( 1 July 2007)</b>								<b>-2398</b>
<b>Government Debt (30 June)</b>	<b>2679</b>	<b>3085</b>	<b>3401</b>	<b>3553</b>	<b>3906</b>	<b>4414</b>	<b>4857</b>	<b>-4857</b>

# VAT ADMINISTRATION

- Registration

- Compulsory for businesses whose turnover exceeds the approved threshold per annum
- Voluntary for businesses under the threshold
  - Must be able to keep good accounting records and meet certain core requirements of VAT

- ▶ Monthly filing of Returns and Payment of VAT

- ▶ Excess Credit & Refunds (carry-forward or immediate)

- ▶ Compliance & Audit

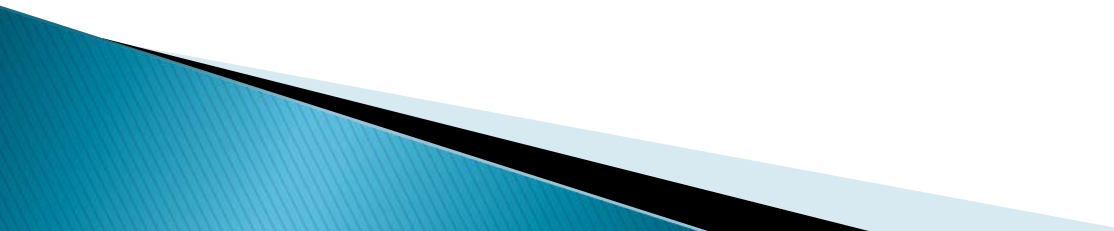
- ▶ Collections and Recovery

- ▶ Objections and Appeals

- ▶ Penalties

# How VAT affects the different stakeholders

## VAT & The Un-Registered Business

- ▶ Will pay VAT on imports (as is done with Customs Duty)
  - ▶ Will pay VAT on local purchases of goods and services from other registered business
  - ▶ Cannot charge VAT on their sales
  - ▶ Have no filing obligations with Government
  - ▶ Sales receipts issued cannot state VAT
- 

# How VAT affects the different stakeholders Cont'd

## **VAT & The Registered Business**

- ▶ Will pay VAT on imports (as is done with Customs Duty)
- ▶ Will pay VAT on local purchases of goods and services from other registered business
- ▶ Will charge VAT on sales
- ▶ Will deduct VAT paid from VAT collected and remit the difference to Government
- ▶ Will keep records of all purchases and all sales
- ▶ Will be required to display a VAT registration Certificate prominently at place of business
- ▶ Will be required to issue sales receipts and tax invoices

# VAT EFFECTS ON PRICES, REVENUE – CONSUMERS, BUSINESSES & GOVERNMENT

	Pre-VAT Regime	VAT Regime	Govt. Revenues		Govt. Revenues
	\$	\$	\$	\$	\$
CIF Value for Customs	100.00	100.00			
Customs Duty	<u>40.00</u>	<u>20.00</u>	20.00		20.00
<u>Landed Cost</u>	<u>140.00</u>	<u>120.00</u>	-	-	-
VAT @15%	<u>NIL</u>		18.00		18.00
Selling Price	280.00	240.00		300.00	
VAT @15%	<u>NIL</u>	<u>36.00</u>	18.00	<u>45.00</u>	27.00
Price to consumer	<u>280.00</u>	<u>276.00</u>		<u>345.00</u>	
Supplier's Gross profit (100%)	<u>140.00</u>	<u>120.00</u>		<u>180.00</u>	
Government Revenue	<u>40.00</u>	<u>56.00</u>	<u>56.00</u>	<u>65.00</u>	<u>65.00</u>

# IMPACT OF VAT ON REGISTERED BUSINESS VS UNREGISTERED BUSINESS

	Registered Business	Unregistered Business
	\$	\$
CIF Value of Item	100.00	100.00
Customs Duty (20%)	<u>20.00</u>	<u>20.00</u>
	<u>120.00</u>	120.00
VAT (15%)	<u>NIL</u> <b>18.00</b>	18.00
Total Landed Cost	120.00	<u>138.00</u>
Selling Price	240.00	<b><u>276.00</u></b>
VAT @15%	<u>36.00</u>	<u>nil</u>
Price to consumer	<b><u>276.00</u></b>	<b><u>276.00</u></b>
Gross margin	120.00	138.00
VAT Credit	<u>18.00</u>	<u><b>NIL</b></u>
Government Revenue	<b><u>138.00</u></b>	<b><u>138.00</u></b>

# IMPORTANCE OF TAXATION

ULTIMATELY.....

- ▶ Collection of taxes allow Government to provide essential public goods and services
  - Improved physical infrastructure (roads, bridges, schools etc.)
  - Improved health care
  - Improved educational services
  - Increase and enhanced social safety net programmes