Government of Anguilla
Ministry of Finance

Goods and Services Tax (GST)

WHITE PAPER

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Acronyms:

AT: Accommodation Tax

ANGLEC: Anguilla Electricity Company

CDB: Caribbean Development Bank

CARTAC: Caribbean Regional Technical Assistance Centre

CIF: Cost, Insurance and Freight

CL: Communication Levy

CSF: Customs Service Fee

GoA: Government of Anguilla

GST: Goods and Service Tax

ECCB: Eastern Caribbean Central Bank

EL: Environmental Levy

ID: Import Duty

IGT: Interim Goods Tax

IMF: International Monetary Fund

IRD: Inland Revenue Department

ISL: Interim Stabilisation Levy

MTEFP: Medium Term Economic and Fiscal Plan

PET: Public Entertainment Tax

VAT: Value Added Tax

FOREWORD

The Government of Anguilla has embarked on an Economic and Fiscal Reform Programme aimed at achieving fiscal sustainability, poverty alleviation and other critical issues of social development. This programme, although initiated in the aftermath of Hurricane Irma, has acquired added importance and urgency as our economy grapples with the ramifications of global events that have impacted on the local economy. Such events have necessitated fiscal and economic reforms that allow the economy to be able to respond to and recover from shocks such as global and economic recessions, natural disasters and pandemics such as the SARS-COV-2 we are currently experiencing. This Government cannot afford to delay the fiscal reform and therefore a Goods and Services Tax (GST) will be implemented.

It is our intention to use the GST as a catalyst in restructuring the entire tax system, creating less reliance on the Customs Duties and related fees for revenue generation, to make the tax system more responsive to economic development and simple to administer.

GST will replace the Accommodation Tax, Environmental Levy, Communication Levy, Public Entertainment Tax and Interim Goods Tax. It will also broaden the tax base to include some supplies not currently taxed.

The GST as proposed and contained in the GST Bill which will be available for consultation and review by the general public before passage in the House of Assembly will be tailored to Anguilla. GST (or VAT) is one of the most common forms of taxation, worldwide.

In keeping with this Government's commitment and obligation to be transparent and to consult with stakeholders on major policy issues, we are pleased to present this White Paper on GST for public dissemination and discussion. This paper outlines Government's policies and proposals as contained in the GST Bill that are required for a successful implementation and efficient operation of GST in Anguilla.

On behalf of the Government of Anguilla, I take this opportunity to invite comments and feedback on this White Paper so that we can make the necessary changes to the draft legislation before it is presented to The House of Assembly.

Dr. Ellis Webster
Minister of Finance

INTRODUCTION

Within the last decade a number of global, regional and local adverse events have occurred which have impacted the Government and people of Anguilla resulting in economic, financial and social hardship. As a consequence of these events, Anguilla has had to borrow, creating a very significant debt burden on the Government. Despite the Government's efforts to sustainably manage its amortization and other debt servicing obligations, the situation continues to be a major challenge which the Government is fully committed to addressing.

Anguilla's approach to managing this issue is set out in the Medium Term Economic and Fiscal Plan (MTEFP) prepared by the Government of Anguilla (GoA) and agreed to by UK Ministers in June 2018. A current plan exists for the years 2021 to 2023. The MTEFP sets out Anguilla's budgetary forecasts and plans for the next three years, including the key steps and reforms needed to achieve sustainable public finances. For the first time, development of the MTEFP was a collaborative effort between the GoA, the UKG and Anguilla's two key regional economic partners – the Caribbean Development Bank (CDB) and the Eastern Caribbean Central Bank (ECCB).

The MTEFP's analysis revealed large financing gaps in the medium to long-term fiscal projections that needed to be met without further borrowing. It also highlighted long-standing concerns that Anguilla's narrow tax base exposes the country to major public finance fluctuations with the distinct possibility that it may be unable to raise sufficient revenue to manage public finances sustainably.

In these and all likely possible circumstances, fiscal sustainability can only be achieved by the mobilization of additional revenue. There are only two ways this can be done:

1. Improving the rates of collection ("compliance") by the Inland Revenue Department (IRD) of existing taxes not affected by the GST implementation; and
2. Widening the tax base, specifically by the introduction of a comprehensive Goods and Services Tax (GST).

It is anticipated that these measures should yield the additional revenue needed to bridge the financial gap. GST will achieve this by harmonising tax rates across services that are currently taxed and then broadening the tax to cover new service areas previously untaxed, such as construction and professional services.

Without GST, the MTEFP projections point to the GoA needing to borrow significant additional sums to finance anticipated deficits between 2021 and 2026. This is not tenable. Introducing GST is therefore critical to Anguilla's future and up to this moment, by far one of the most important fiscal reform Anguilla has ever embarked upon. Moreover, with a properly managed implementation, additional benefits for citizens of Anguilla should accrue, resulting in better infrastructure and public services.

Implementation of the new tax is being achieved through a two phased process:

Phase 1. Reform of International Trade Taxation – a 'revenue neutral' reconfiguration of Import Duties (ID) and Customs Service Fee (CSF) into an Interim Goods Tax (IGT). Implemented in October 2019, this phase was designed to simplify import duties in the short term and thereafter facilitate the smooth transition from IGT to GST.

Phase 2. Introduction of GST on the domestic supply of goods on services already subject to taxation under the existing system and in so doing, replacing Accommodation Tax, the Environmental Levy, the Communication Levy, the Public Entertainment Tax and Interim Goods Tax as well as on other services not taxed in the existing system.

The Current Tax System

The current state of the revenue system in Anguilla is characterized by an over-reliance on Customs duties as the main revenue anchor. Internally, the Interim Stabilisation Levy (ISL), the Accommodation Tax (AT), the Communication Levy (CL), Environmental Levy (EL), the Property Tax Act (PT) and the Interim Goods Tax Act (IGT) represent those tax types that currently generate state revenue from domestic sources.

None of the components of the current tax system shown is a broad-based tax. There is no comprehensive income tax or any form of general consumption tax. The Customs Service Fee, which taxes the CIF value of all imported goods at a rate of one percent is the levy closest to the concept of broad- based tax on goods since very few goods are produced within the country.

Taxation of imports (Import Duty and Customs Service Fee) accounted for over 55 percent of the tax revenue on average in recent years. Among the domestic taxes, the Accommodation Tax (AT) is the tax with highest yield. Other domestic taxes that yield substantial shares of the total tax revenue are the licenses, the Interim Stabilisation Levy (ISL) and the Stamp Duty (SD). Together, AT, ISL, SD, and licenses yielded about 20 percent of recent tax revenue. Licenses, though classified in Anguilla as a tax on goods and services, have a different nature and shall not be replaced by GST.

From May 1st 2019, following repeal of the Tourism Marketing Levy, Accommodation Tax is charged at a rate of 12 percent of the purchase price of guest accommodations and the amount charged for rental accommodations where, in either case, the premises are occupied for less than 90 days. Guest accommodation is lodging provided in a hotel, resort, villa, guest house, bed and breakfast, and similar establishments. Rental accommodation is premises that is let for a consideration and used or intended to be used as a dwelling. The suppliers of the guest accommodation and rental accommodation are responsible for collecting and paying the tax. Accommodation Tax will be abolished upon the introduction of phase 2 of the GST.

Though personal and business income taxes do not exist in Anguilla, labour income is taxed. Besides the social security contribution, (arguably a tax though not formally included in the tax revenue), payroll of enterprises bears the ISL which has been in effect since April 2011. Employee and employer pay 3 percent each on the labour remuneration. Self-employed persons pay 6 percent. The ISL has a monthly threshold of EC$2,000.00 and a monthly cap of EC$12,000.00, but the cap applies only to the tax paid by the employer. Employees and self-employed persons pay the tax on income exceeding the threshold.

The Communication Levy is payable by each provider of telecommunication services to the Comptroller at the rate of 15 percent of the total income from the sale of communication services provided to consumers. According to the Communication Levy Act, a service provider means the person licensed under the Telecommunication Act to provide a public telecommunication service. There are three main service providers to which this tax applies.

Additionally, the Environmental Levy is a tax payable by a public supplier of electricity to the Comptroller at the rate of 7 percent of the total income from the sale of electricity supplied to consumers. A public supplier is defined in the Environmental Levy Act as the holder of a public supplier's licence under the Electricity Act. The only holder of a public supplier's licence is the Anguilla Electricity Company (ANGLEC).

The Stamp Duty is essentially a tax on capital transactions related to most land and property transfers. While the existing property tax has no bearing on the introduction of GST, taxation of property transfers must be considered when designing it. Property transfers in Anguilla are taxed at various rates according to status.

Stamp Duty on transfer of properties will remain after the introduction of the GST.

Interim Goods Tax was introduced in October 2019 for imported goods as part of the phasing in of the GST and will be replaced by the GST.

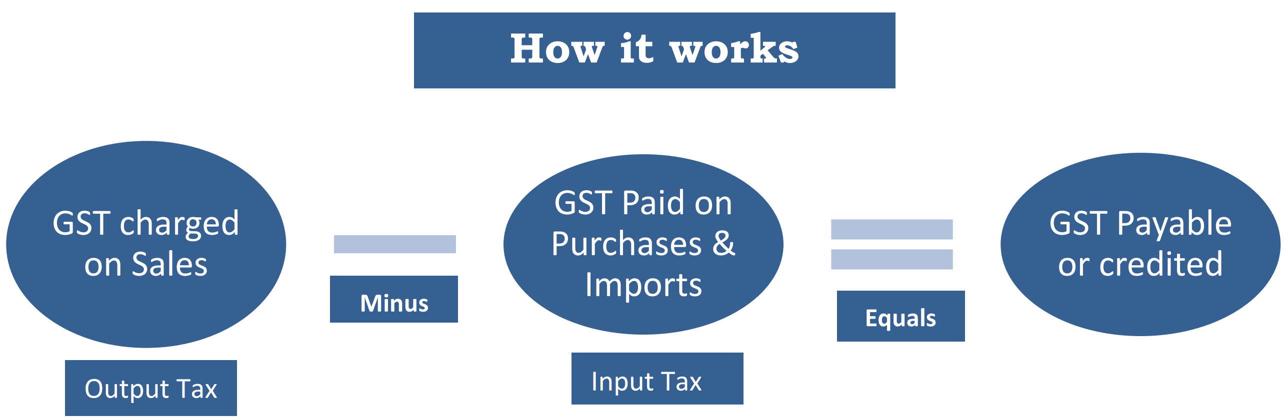
GST OVERVIEW

Ultimately, GST will be a tax on the consumption of both goods and services. It will be due on the value of imports and on the 'value added' component on goods and services supplied by one business to another and on the total price of the supply to the final consumer.

In 2012, Value Added Tax (also called GST) was considered for implementation in Anguilla, however, it was not pursued. A renewed commitment came about in 2017 following a review by Caribbean Regional Technical Assistance Centre (CARTAC). With renewed commitment by Government to address pressing fiscal deficiencies, the decision has been made to plan for a phased approach to the implementation of the tax. The first phase was implemented in October 2019 with second and third phases scheduled for 2021 and 2023 respectively. Based on the fiscal situation in 2020, the decision is made to merge the second and third phases into one final GST implementation phase in 2022.

How GST Works

GST is designed to be collected by registrants who will include GST in their prices so that it is ultimately paid by the final consumer. A registrant is a producer or supplier of taxable goods and services whose sales exceed a given threshold (annual taxable supplies or turnover or sales). Having collected the GST from customers, the registrant pays the amount collected to the Government after deducting GST paid to their suppliers on business to business (registrant to registrant) transactions. A GST return showing these details is filed to the IRD each month together with the actual tax due. The following is a diagrammatical representation of how the process works.



A GST registrant will charge GST on the sale of taxable goods or services (Output Tax) and pay GST on purchases and imports (Input Tax). Where the output GST charged on sales is more than the input GST paid on the purchases and imports, the difference is paid to the IRD. Where output GST is less than input GST, the registered business will be allowed to carry forward the excess credit to the following tax period. If after three (3) consecutive tax periods (months) the excess for a given tax period is not used to cover tax due, then the business may apply for a refund where the amount has reached a threshold (this avoids IRD servicing many smaller refunds). The Comptroller IRD reserves the right to use the amount to be refunded to settle any arrears to the GOA by the registrant before a refund is issued.

GST is designed to ensure that all forms of consumer spending, with the exception of expenditure on exempt and zero-rated supplies, are taxed evenly and fairly, ensuring that the full charge of the tax applies only to the 'value added' in the supply chain and the final selling price.

GST is collected by GST registered persons who will include GST in their prices so that it is ultimately paid by the final consumer. Additionally, a taxable rate of zero percent and an exempt status will apply to some goods and services.

MAIN FEATURES OF GST

Threshold and Rate

GoA has enlisted the support of the International Monetary Fund (IMF) to conduct an independent 'rate study' to determine and propose both a GST Registration threshold (above which taxable persons must register for GST) and a GST rate (for items charged with GST).

The IMF has significant experience both in the region and globally in supporting the implementation of GST in developing countries. The GST rate will be determined by reference to 1. Available economic data; 2. The extent of goods and services not GST charged (i.e. items zero rated and exempted); 3. The threshold; and 4. The GoA has set itself a target of EC$79.4m to raise in 2022. It should be noted that of this EC$79.4m, some EC$57m was already projected to be raised through those taxes being repealed, leaving EC$22m additional tax through GST being applied on supplies previously not taxed.

Registration

A critical concern in designing a GST system is the threshold required for registration. The registration threshold is the minimum annual gross sales which will determine whether a taxpayer would be required to charge and collect GST. The GOA recognises that smaller, less formal businesses do not keep adequate books and records to comply with GST requirements and so aims to have a registration threshold that is higher than those businesses' gross sales. On the other hand, some taxpayers will have a zero-threshold for registration. For example, those taxpayers supplying accommodation, meaning that anyone involved in letting their accommodation is a taxable person and must charge GST on the income; this recognises the importance of protecting this existing revenue stream to the Government of Anguilla. Auctioneers and Public Entertainment providers (including licensees and proprietors of places of public entertainment) will also be subject to the zero-threshold for registration.

Any person engaged in a taxable activity and who meets the registration threshold is required to register and collect GST on behalf of the Government. GST legislation defines "taxable activity" as activities which are carried on continuously or regularly by any person in Anguilla, or partly in Anguilla 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 a consideration. A taxable activity does not include activity carried on by a person as a private recreational pursuit or hobby; or exempt business activity.

When determining the requirement to register, taxpayers will consider what their likely turnover for the next twelve months will be, as well as the actual turnover achieved over the preceding twelve months. The GST law will detail precisely the required procedure for these 'forward and backward looks' when determining the requirement to register.

Potential registrants are encouraged to begin monitoring their turnover (sales) and engage with the IRD early to get advice on registration. Also, once the registration thresholds are confirmed, potential registrants are encouraged to visit the IRD's online portal and apply for GST registration or alternatively engage with the IRD to start the registration process.

Potential registrants not identified in the initial pool would be encouraged to apply for registration online or visit the IRD for assistance to commence the registration process. It is better to engage early than to risk establishing a liability to register belatedly and having to back-date the start of the registration.

The Comptroller IRD will be authorized to register any business that is required to register by law but fails so to do. Registration in that case will take place with effect from the date on which the taxable business was required to register.

The proposed GST legislation also makes provision for persons below the threshold to voluntarily apply to the Comptroller of IRD for registration. The Comptroller may consider such applications only after being satisfied that the applicant has met all conditions necessary pursuant to *Section 10 (5)* of the GST Bill.

Every registrant will be issued a Certificate of Registration detailing the name of the taxable person, the 'trading name' of the establishment, Registration or Tax Identification Number (issued by the IRD), Location of the Business and the Effective Date of Registration. Once issued, this Certificate must be located conspicuously at each location of the business at which the registered person engages in a taxable activity. This will enable the customer to quickly identify that the business is legally obligated to collect the GST.

When a GST registrant ceases to carry on taxable activities, the registrant is required to notify the Comptroller of IRD in writing of that fact within fifteen (15) days of the date of such cessation. The Comptroller will cancel the registration once satisfied that the registrant is not carrying on a taxable activity or will not do so within 12 months following cessation.

A taxpayer that has declining turnover below the threshold may also apply for deregistration. A person may apply for deregistration only after the expiration of two years from the date the registration took effect.

If deregistration is approved, the Certificate of Registration must be surrendered to the IRD. Any business that is not registered for GST must not charge GST on supplies made. Since these businesses would be required to pay GST when they purchase or import goods and services, that GST paid becomes a part of the businesses' costs. Unregistered businesses will not be able to recover the input tax on their business inputs and as such these suppliers therefore are likely to pass on to consumers the GST they have been charged on their inputs.

GST will be collected by the following persons:

- By the IRD Comptroller from GST registered persons selling goods or services;
- By the IRD Comptroller from GST registered recipients of supplies of imported services;
- By the Customs Comptroller on the importation of goods

Taxable Supplies

Standard Rated Supplies

The GST standard rate will be applied to every supply of goods or services made in Anguilla in the course of a taxable activity carried on by a GST registrant unless it is zero rated or exempt.

A 'supply of goods' includes a sale of goods or a grant of the use or right to use goods, while a 'supply of services' means anything which is not a supply of goods or money. The time of supply of goods and services occurs on the earliest of the date on which:

- An invoice for the supply is issued by the supplier.
- All or part of the payment for the supply is received.
- The goods are delivered or made available.
- The performance of the service is complete.

Zero Rated Supplies

Zero-rated supplies are goods and services that are taxable but at the rate of zero percent. Even though a zero percent rate is charged on supplies to the consumer, a GST registrant is allowed to claim input tax credit on inputs used in making the zero rated supplies. It is important to note that only goods and services will be zero-rated, not businesses or individuals. Further, the zero rated provision will apply only to exports of goods and services.

Taxpayers making all or mostly zero rated supplies will have the option to not register, saving them the administration involved in been registered, although that will mean no entitlement to recover GST on any related purchases.

Exempt Supplies

Exempt supplies are those goods and services that are not directly subject to GST. This means that GST cannot be charged on the sale of exempt supplies. Under the proposed GST legislation, those engaged in supplying exempt goods and services cannot claim input tax credit on purchases associated with the exempt supplies. It is important to note that only goods and services will be exempt not businesses or individuals. Some examples are:

- Medical services
- Prescription drugs
- Accommodation rental for a period of 183 days or more
- Day-care services including after-school care and summer camp for children 12 years and under
- Education establishments including pre-school and secondary school
- A supply of services provided by a facility to the following persons who needs care:
  - Aged persons
  - Infirmed persons
  - Disabled persons
  - Handicapped persons
- Domestic financial services other than those rendered for a fee/commission
- A supply of religious services by a religious organisation

The GST Act will provide a full list of proposed exempt items

Input Tax Credit

Registered taxpayers will pay GST on the importation of goods at the Customs Department. Taxpayers will also pay GST on the purchase of goods and services from other registered taxpayers. All GST paid by registrants in respect to their taxable activities is termed input tax or input GST.

When taxpayers file their monthly returns with the IRD they will have the right to deduct the input tax which they have incurred on their purchases during a particular month. This deduction is referred to as an Input Tax Credit.

However, taxpayers will not be allowed a deduction for input taxes paid where they do not have a tax invoice or sales receipt evidencing the payment of GST. Nor will they be allowed a deduction for input taxes paid on purchases that do not related to their taxable activities.

Returns
Every registered taxpayer must file a GST return for each month (tax period) on or before the 20th day of the following month whether or not any tax is due and payable. The return is to be filed with the Comptroller IRD using a prescribed reporting format. IRD has commissioned a new Integrated Tax Administration System (a product called Multi Tax Solution, or MTS) which incorporates an online filing and payments facility. Thus, GST registrants will be expected to calculate the tax payable and submit payment with their tax returns online. Failure to file a return by the specified date or the non-filing of the return will result in the imposition of a penalty for late filing. This penalty will be automatically applied by MTS.

Payments
The GST payable by a registered taxpayer for a tax period (one month) is the total amount of GST collected (output tax) by the taxpayer in respect of taxable supplies during the month, less the total GST paid on purchases or imports (input tax) for that month. The due date for the payment of GST is the same as the due date for filing the GST Return that is on or before the 20th day of the following month. In the case of an importer of goods, payment is due at the time of import.

Assessments
GST is a self-assessed tax, meaning it is calculated and declared by the taxable person. However, the Comptroller IRD may make an assessment of the amount of tax payable by the taxpayer where:

- A taxpayer fails to file a GST return.
- A taxpayer fails to submit adequate supporting documents.
- The declaration made is not considered accurate

When an assessed amount is established, the Comptroller will be required to serve a notice of the assessment on the taxable person. A taxable person if dissatisfied with an appealable decision, may lodge an objection stating the reason.

Refunds
A credit exists where a registered taxpayer's input tax for the month exceeds the output tax for that month. With the exception of exports, the difference will be carried forward to the next month's return and will be treated as a deductible input tax credit for that month. Further excesses will be carried forward consecutively for a maximum of three (3) months and if after three months the excess credit remains, that registered taxpayer may then apply for a refund (subject to meeting the refund threshold).

A registered taxpayer whose taxable activities represent more than 50 percent zero rated supplies, may request a refund on monthly basis.

The Comptroller is required to serve on a taxpayer claiming a refund, a notice in writing of the decision in respect of the claim within two calendar months of receiving the claim except where there is an audit. Where a refund is due and is not paid within two calendar months of the application and it is not subject to audit, the GoA will pay interest at the rate of 1 percent per month.

The Comptroller may, subject to appropriate conditions and restrictions, authorize to refund part or all of the GST incurred in relation to a taxable acquisition or import made by the Governor's Office, Diplomats, approved non-profit bodies and public international organizations.

Accounting and Records

One of the strengths of the GST is that it requires registrants to maintain adequate books and records, documenting business transactions completed for the taxable period. Records must be up to date and must clearly show the figures reported in the GST Return for the taxable period. These books and records, including electronic data, must include the following:

- Original tax invoices, sales receipts, tax credit notes and tax debit notes received by the Registrant
- A copy of all tax invoices, sales receipts, tax credit notes and tax debit notes issued by the Registrant
- Customs documentation relating to imports and exports by the Registrant
- Accounting records relating to taxable activities carried on in Anguilla
- Advertisements, displays and brochures and the like, which must show GST-inclusive prices
- Any other records as may be prescribed by regulations

The Tax Invoices must contain the following information:

- The supplier's name, address and tax identification number (TIN)
- The date of supply
- An individual serial number
- A description which identifies the good(s) or service(s) supplied
- The customer's name, address and identification number (TIN), if GST registered
- The total tax exclusive amount
- The rate of any cash discount
- The rate of GST
- The amount of tax payable
- The total amount payable

The proposed legislation requires the registrant to issue an invoice for every taxable supply made to another GST registrant, which must contain all information as prescribed in the legislation and detailed above. A GST invoice should not be issued to an unregistered person; instead, a simplified sales receipt must be issued stating clearly the amount of GST charged.

Records are required to be kept in English, maintained in Anguilla and retained for seven years after the end of the tax period to which they relate. Failure to do so may result in refusal of a claim for refund and/or penalty. They must contain information that will enable the tax administration or authorized persons to determine a Registrant's liabilities and obligations or the amount of refund to which a Registrant may be entitled. Claims for input tax paid must be supported by customs declarations on imports and exports and approved invoices.

It is recognised that there are businesses in Anguilla that may not be keeping formal books and records and preparing financial statements. The GST threshold has been set at a level to ensure that generally, the smaller less formal businesses will not be required to register and therefore will not have to conform to the above record keeping requirements. Exceptionally, as stated above, some taxpayers, such as suppliers of accommodation are required to register for GST regardless of the size of their turnover.

Objections & Appeals

The GST Legislation will make provision for a Taxable Person who is dissatisfied with a decision by the Comptroller to appeal that decision. The decision to be appealed is termed as an "appealable decision" under the GST Act. The objection has to be made to the Comptroller IRD within 90 days after the service of the notice of the decision. The objection must be in writing precisely stating the grounds for the objection. However, except with leave of the Comptroller, a person may not be allowed to object to an assessment unless he has paid 100 percent of the amount due. The Comptroller is required to serve the person objecting with notice in writing of the decision on the objection within 90 days after the objection is lodged.

A person dissatisfied with a decision on an objection may within 90 days after being served with notice of the decision, lodge a notice of appeal with the Appeals Tribunal and if lodged, serve a copy of the notice of appeal on the Comptroller.

A person dissatisfied with the decision of the Appeals Tribunal may, within 90 days after being notified of the decision, lodge a notice of appeal with High Court stating the question of law on which the appeal is based. A copy of the notice of appeal must be served on the other party, that is, the IRD.

The burden of proving that an assessment is excessive or that a decision of the Comptroller IRD is wrong is on the person objecting to the assessment or decision.

Interest

A person who fails to pay GST payable to the Comptroller by the due date is liable to interest on the amount unpaid at the rate of 1 percent per month.

Penalties

The GST legislation makes provision for several penalties and offences including:

- Failure to apply for registration
- Failure to display registration certificate
- Failure to notify IRD of change of address
- Failure to notify the Comptroller of cessation of operations
- Issue of false invoice
- Failure to pay GST due
- Failure to file GST Return
- False claim for GST Refund or overstatement of input tax credit
- Failure to maintain proper records
- Non-compliance with price quotation requirements
- Failure to comply with notice to give information
- Making false or misleading statements
- GST Evasion
- Impeding Tax administration

The operation of the GST will be reinforced with several administrative provisions to identify and rectify any non-compliance with the legislation. These provisions will include the ability to audit a taxable person's records, impose penalties and initiate actions to recover outstanding debts.

GST is collected by taxpayers on behalf of the Government. If GST is collected but not paid to the Government, the Comptroller would be authorized to recover the amount through garnishment, levying distress, seizure of property by court action or through legal proceedings.

The Comptroller may also, by order of the court, temporarily close businesses for a period between three and thirty calendar days where taxable persons repeatedly violate the provisions with respect to:

- Filing of returns
- Issuing proper tax invoice
- Improperly claiming tax refunds
- Impeding tax administration
- Failing to pay tax when due

Notwithstanding anything in any other law where a person liable to pay the tax fails to pay on three occasions, the Comptroller may publish the names of that person in a newspaper circulating on the Island.

Compounding of Offences
Where the Comptroller of IRD has reason to believe that a person has committed an offence, they may, at any time prior to the commencement of the hearing by any court of proceedings relating thereto, compound such offence and order the person to pay such sum of money as specified by the Comptroller, not exceeding the maximum amount of the fine prescribed for the offence.

The Comptroller may compound an offence only if the person concerned requests the Comptroller in writing to do so and must specify:

- The offence committed;
- The sum of money to be paid;
- The date due for payment; and
- The person who committed the offence will be served and that, which will be final and not subject to appeal.

Recovery of GST from persons leaving Anguilla

Where the Comptroller has reasonable grounds to believe that a person may leave the country without paying all GST due, the Comptroller, having obtained an Order of the Court, would serve written notice to the Chief Immigration Officer containing the particulars of the amount owing and requesting that the Chief Immigration Officer take steps to prevent the person from leaving the country unless the amount is paid in full or satisfactory arrangements be made to pay the GST due.

Once the amount has been paid, the Comptroller must provide proof of payment to the Chief Immigration Officer who would then allow the person to leave Anguilla. Otherwise, in the case that satisfactory arrangements to pay have been made, the Comptroller must provide the Chief Immigration Officer with authority to allow the person to leave Anguilla.

TREATMENT OF SELECTED SECTORS

Given the phased approach, GST on all of the following services are expected to become effective in 2022. Notwithstanding, the White Paper will address the issues but more intense education and public awareness will take place closer to the date when GST on these services will become effective.

Tourism

In Anguilla, the tourism sector continues to be one of the most significant contributors to the economy. Prior to the passage of Hurricane Irma in September 2017 tourism arrivals were at a record high but dropped in 2018 during the recovery and rehabilitation phase of the disaster. 2019 has seen a remarkable recovery in the tourism numbers; however, this increase was then affected by the 2020 global pandemic which is expected to impact the economy in the short to medium term.

Financial Sector

Financial services include the services provided by the following:

- Banks
- Credit Unions
- Insurance Companies
- Other similar institutions (Western Union, Money Gram etc.)

These institutions are exempt from GST on the services they provide, mainly due to the difficulty of identifying the value added upon which the tax must be applied to traditional savings and lending activities. Services outside of traditional money transactions are taxable. Such services are rendered for a specific or explicit fee/commission and will attract GST at the standard rate.

IBCs, Foundations and Trusts will be excluded from the scope of the tax as they primarily exist to export financial services and do not make taxable supplies within Anguilla.

Medical Services

Medical and Dental services will be exempt but not cosmetic medical services. Therefore, medical practitioners and dentists will pay tax on their taxable purchases but will not charge tax on the services that they provide. The tax paid on their purchases will not be refundable. The importation of prescription drugs and drugs used in the treatment of specified chronic diseases as approved by the Ministry of Health through the Medical Board/Chief Medical Officer will be exempt.

Education

Education services are exempt from GST. This means that education institutions such as pre-schools, primary, secondary and tertiary institutions will pay tax on taxable goods and services purchased but will not charge tax on the services they provide. GST paid on their purchases will not be refunded to them.

Real Property

Where GST is applied to real property, it will apply to the value excluding other taxes applied to the same real property. GST will be applied to businesses that facilitate property transactions such as the Real Estate Industry.

Exports

GST generally is based on the destination principle as such exports should be free of domestic taxes so that they remain competitive on the external market. That is, no GST will be collected/charged on goods or services that are exported from the Island. However, a registered taxpayer involved in the export of taxable goods or services is entitled to claim a credit for any GST paid in relation to the production of goods or services that have been exported from the Islands. Systems will be put in place to monitor exports and registered taxpayers will be expected to comply. In contrast, GST will be collected on taxable goods and services sold locally and any GST paid on inputs going into the production of such supplies will be credited against the amount of tax charged or chargeable on any domestic supplies made.

SMALL BUSINESSES

Generally, taxpayers whose sales are below the registration threshold would not be required to register for GST and therefore cannot charge GST on their sales. GST paid on purchases would not qualify for a tax credit. Therefore, small businesses most likely will increase their prices to the consumer to the extent of any GST paid on purchases.

The proposed legislation makes provision for small businesses to voluntarily register for GST. A small business which usually sells to a registered GST business may find it beneficial to register under the GST, in which case the GST that the registered customer will claim a tax credit on purchases made. A voluntarily registered taxpayer would enjoy the same benefits from the GST system as large businesses.

ECONOMIC IMPACT

GST is a revenue generating measure that will deliver long-term improvements to the Anguilla economy. We will join a long list of countries (in excess of 160/ some 80% of all countries) that are removing long standing national taxes in favour of this modern, simple, ad-valorem based tax that encourages transparency and is recognised as putting countries on a firm fiscal footing.

That firm fiscal footing brings with it the benefits of more opportunity of foreign investment. It also provides for more spending power for government to invest in public spending, for the benefit of all Anguillans.

Fiscally, it is expected that GST will enhance revenue yield. Higher revenue yields will promote and encourage fiscal sustainability through a rising share of revenue to debt service, provide public sector savings and maintain higher levels of public sector investments.

SOCIAL IMPACT

The alleviation of poverty is a fundamental element of the Government of Anguilla's economic development programme and strategy. GST has therefore taken into account the need to include policies to alleviate the impact on disadvantaged and social groups. Some of these policies include not charging GST (exemption or zero-rate) on for example, medical treatments, education and international transport.

IMPLEMENTATION

The GST implementation is subject to an independent oversight process that applies international good practice.

A new integrated tax administration system is being implemented, called multi tax solution; this is a modern system that facilitates online filing and payment processing, meaning less reliance on attending the IRD office.

Implementation Issues
The introduction of GST, like any other substantial change, needs to be explained to the public to avoid uncertainty. Hence GoA will undertake programmes to:

- Create awareness amongst the populace with regard to what will be a major change in Anguillan Tax Administration.
- Inform the business community of their rights and obligations, on the changes and operational procedures of GST, thus promoting taxpayer education and voluntary compliance.

The public awareness and education campaign for the introduction of the GST commenced in May 2019 with a focus on phase 1 of the process which culminated in the introduction of Excise Tax and Interim Goods Tax (to be replaced by GST) at the Customs, the reduction in import duty rates and a reduction in the Customs Service Fee. A series of outreach meetings and stakeholder consultations were held and educational materials shared with stakeholders.

As the taxpayer and public education process is ramped up, billboards and posters; Brochures and Guides will be disseminated at each stage. Radio and print media will be utilised to facilitate public sensitization and awareness. Several workshops, most in conjunction with various stakeholders, seminars and consultations across the islands will be managed by the GST Implementation team, under the direction and guidance of the Oversight Committee.

The GST Implementation Team has identified potential GST Registrants and will be conducting education sessions and advisory visits with each registrant. These visits will be pre and post GST Implementation. All taxable persons will be required to install/maintain suitable bookkeeping measures. Information on what books and records to be kept, how to complete the registration form, return form and other administrative forms will be explained during the visits. Potential registrants are encouraged to reach out to the IRD where they need assistance in understanding their obligations to GST; for example, their level of turnover for GST registration purposes; the GST liability of their supplies; their entitlement to GST credit; and records required to be kept.

The Staff of the Customs Department along with the staff of the IRD are receiving training in GST operations so that they will be able to participate in the publicity and education programs and also perform the new procedures associated with the

GST. The training to be delivered by the local trainers and advisors will include training in taxpayer registration, calculation of GST and processing of returns. The systems and procedures in Customs Department and at the IRD are being reviewed to ensure a smooth implementation of the programme and improve compliance with the GST upon its introduction.

TRANSITIONAL PROVISIONS

To facilitate smooth implementation of GST, the proposed GST legislation outlines measures to support taxpayers during the transition period as well as combatting instances of price hikes not associated with GST. Rules will be laid down for the treatment of certain transactions caught in the period of transitioning to GST and importantly, will list all the taxes that are to be repealed as a result of GST.

The following are examples of measures that will apply to trading activities that straddle the date on which the GST Act comes into effect, referred to below as the implementation date:

Where:
- Taxable services are supplied <u>before</u> the implementation date and
- Payment for those supplies is received OR an invoice is raised <u>after</u> the implementation date (by up to three (3) months after)

GST treatment:
- The supplies are considered to have been made before the implementation date, with no GST due

Reason
- Protects taxpayers who are paid late by ensuring GST is excluded from price

Where:
- Taxable goods or services are supplied <u>after</u> the implementation date and
- Payment for those supplies is received OR an invoice is raised <u>before</u> the implementation date (by up to three (3) months before)

GST treatment:
- The supplies are considered to have been made at the implementation date, with GST due

Reason
- Protects GoA from situations of early payment being made to avoid GST

Where:

- Continuous supplies (e.g. rentals) OR supplies of services begin before the implementation date and end after that date and
- Payment for the pre-implementation supplies is made after the implementation date (up to three (3) months after)

GST treatment:

- The payment for those pre-implementation date supplies will be without GST.

Reason

- Protects taxpayers involved in continuous supplies from paying GST on pre-implementation supplies

Where:

- A contract between parties is concluded after the implementation date and
- No provision for GST is made

GST treatment:

- GST is due on the full contract price

Reason

- Protects GoA from situations where GST is avoided (so, factor in GST to contracts)

CONCLUSION

GST should be seen as an opportunity to completely reform the existing tax regime. It is envisioned that it will simplify and improve the efficiency in tax administration. We look forward to educating the general public and assisting GST registrants to realise the successful implementation of GST in Anguilla.

Government of Anguilla
P.O. Box 60, The Valley,
Anguilla, AI-2640
Tel: 264 497 2547
Email: gst@gov.ai
Website: www.gov.ai