



# GOODS & SERVICES TAX

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SCHEDULED IMPLEMENTATION

**JULY 1ST 2022**

# GOODS & SERVICES TAX

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REGISTRATION THRESHOLD: **EC\$300,000.00 ANNUALLY**

RATE: **13%**

- In order to arrive at the Rate and Threshold, the **REVENUE TARGET, EXEMPTIONS, IMPACT RATE** and **THRESHOLD** were considered inclusively as they are all connected.
- The more exemptions given would result in a higher rate or lower threshold or both.

# EXEMPTIONS FROM GST

## ZERO RATE

- Basic Foods (e.g. rice, bread, flour)
- Commercial Farming and Fishing products
- Manufacturing products
- Exports of goods and services
- Domestic electricity (up to 130kWh per month)
- Sanitary products and contraceptives

TO BE DETAILED IN REGULATIONS

# EXEMPTIONS FROM GST

## EXEMPT

- Healthcare (services and devices)
- Prescription Drugs
- Education Services and Textbooks
- Insurance (Life, Health, International)
- Financial services
- Water consumption
- Sale of land
- Property Sale of Second-Hand Home
- Property let of 183 days and more
- Nursing Homes | Residential Care Services
- Religious Services
- Personal Effects of Returning Nationals

TO BE DETAILED IN REGULATIONS

# SALES TAX VS GST

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## • SALES TAX

- LARGE NUMBER OF TAXPAYERS REGISTERED
- PUTTING A STRAIN ON TAXPAYERS AND ON IRD
- SUPPLIER DECIDES IF CUSTOMER SHOULD BE CHARGED ST (IT ONLY APPLIES TO END-USER)
- MORE OPEN TO ERROR AND FRAUD WITH ST BEING CHARGED ON SOME, NOT ALL, SUPPLIES
- SALES TAX COLLECTED AT VERY END OF SUPPLY CHAIN
- DEBT AFFECTS FULL SALES TAX

## • GST

- ANTICIPATED 300 TAXPAYERS (+ VOLUNTARY REGISTRANTS)
- GST CHARGED ON ALL TRANSACTIONS (NO DECISION NEEDED)
- ALL SUPPLIES TAXED AND INVOICES USED TO RECOVER GST PAID
- GST COLLECTED AT EVERY STAGE IN SUPPLY CHAIN. DEBT AFFECTS THAT PART OF SUPPLY CHAIN ONLY

# EXISTING TAXES VS GST

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- **EXISTING TAX**

- Interim Goods Tax (charged at between 5% and 9%)
- Accommodation Tax: 12%
- Environmental Tax: 7%
- Communication Tax: 15%
- Public Entertainment Levy: 10%
- DOMESTIC SERVICES & GOODS – NOT TAXED PRE-GST

- **GST**

- Interim Goods Tax: REPEALED REPLACED WITH GST OF 13%
- Accommodation Tax: REPEALED REPLACED WITH GST OF 13%
- Environmental Tax: 0% | 13%
- Communication Tax: 13%
- Public Entertainment Levy: 13%
- DOMESTIC SERVICES & GOODS – EXEMPT | 0% | 13%

# SECTOR IMPACTS

SECTOR	GST ON SALES	GST RECOVERED ON PURCHASES
FISHING/ FARMING/ MANUFACTURING	<b>NO</b>	<b>YES</b>
TOURISM	<b>YES:</b> Stays up to 182 Days <b>NO:</b> Stays 183 Days + <b>NO:</b> On service charge	<b>YES:</b> On Taxable Business
RETAIL/ WHOLESALE	<b>YES:</b> Most Goods & Services	<b>YES</b>
PROPERTY	<b>NO:</b> Land & Second-Hand Homes <b>YES:</b> New Homes & Commercial <b>NO:</b> Private Sales	<b>NO</b> <b>YES</b> <b>NO</b>
SERVICE INDUSTRY	<b>YES:</b> Most Services	<b>YES</b>

# TRANSITIONAL

ACTIVITY	IMPACT
WORK STARTS BEFORE GST WORK ENDS AFTER GST	<b>PROVISIONS IN PLACE TO:</b> Avoid GST being charged on the portion Pre-July 2022 Ensure GST is charged on the portion from July 2022
STOCK ON HAND AS AT 1 <sup>st</sup> JULY, 2022	Provisions being made to avoid double-taxation where IGT-Paid Goods are sold after 1 <sup>st</sup> July 2022
PENALTY REMISSION	Under Consideration



# SECTOR IMPACTS

SECTOR	GST ON SALES
HEALTH	NO GST CHARGED ON MEDICAL SERVICES AND DEVICES. NO GST CHARGED ON LIFE AND HEALTH INSURANCE NO GST RECOVERED ON RELATED COSTS
EDUCATION	NO GST CHARGED ON SERVICES AND MATERIALS SUCH AS TEXTBOOKS NO GST RECOVERED ON RELATED COSTS
ELECTRICITY (ANGLEC)	COMMERCIAL CUSTOMERS – GST CHARGED DOMESTIC CUSTOMERS - NO GST CHARGED ON FIRST 130KWH PER MONTH (GST CHARGED ABOVE 130KWH) GST RECOVERED ON RELATED COSTS
WATER (WCA)	NO GST CHARGED ON COMMERCIAL OR DOMESTIC METERED SUPPLIES NO GST RECOVERED ON RELATE COSTS
FINANCIAL	NO GST CHARGED ON MOST SERVICES NO GST RECOVERED ON RELATED COSTS
PRICE IN SHOPS	<b>SHOULD INCREASE NO MORE THAN DIFFERENCE BETWEEN EXISTING TAX AND GST.</b> Maybe less than difference as GST paid out by supplier is recovered.

# IMPACT IN BUSINESS GST REGISTERED

- **AS A BUYER**

- You pay GST (at import or to supplier) and claim it back from Government

- **AS A SELLER**

- You charge GST to customer and pay it to Government

# IMPACT IN BUSINESS NOT GST REGISTERED

- **AS A BUYER**

- You pay GST (at import or to supplier )  
but **DO NOT** claim it back

- **AS A SELLER**

- You **DO NOT** charge GST to customers

# IMPACT ON CONSUMERS

- **BUY FROM GST REGISTERED SELLER**
  - You pay GST to the seller and they pay it to Government
- **BUY FROM NON-GST REGISTERED SELLER**
  - You **DO NOT** pay GST to the seller

# ADVICE TO TAXPAYERS

- START KEEPING A RECORD OF YOUR TURNOVER **Daily Sales/Invoiced Sales**
- IF TURNOVER REACHES OR IS EXPECTED TO REACH \$300,000.00 ANNUALLY OR YOU TRADE IN A SECTOR THAT MUST REGISTER YOU MUST REGISTER.
- CONTACT IRD IF UNSURE

(BETTER TO GET IT RIGHT FROM THE START THAN HAVE TO CORRECT AND BACKDATE)

# IMPORTS

Difference between IGT and GST

- **WITH IGT**

- Pay IGT at Import NO RECOVERY
- Cover IGT Cost within retail Price

- **WITH GST**

- Pay GST at import and RECOVER IT
- Charge GST within the retail price and pay to IRD

# BAD DEBTS

## **Recovery of GST paid when you meet conditions including:**

- You have written debt off
- You issue credit note where customer is GST registered
- You repay the GST on any part of debt paid to you

# BUSINESS PURCHASES GST RECOVERABLE

GST on purchase of goods and services relating to taxable activity (**NOT EXEMPT**):

- GOODS FOR RESALE
- CAPITAL ASSETS
- OVERHEADS
- EXPENSES

**KEEP INVOICE AS PROOF OF PURCHASE**



**BUSINESS  
PURCHASES  
GST NOT  
RECOVERABLE**

- PASSENGER VEHICLE (UNLESS HIRING OUT)
- ENTERTAINMENT (UNLESS IN ENTERTAINMENT BUSINESS)
- MEMBERSHIP OF CLUB, ASSOCIATION AND SIMILAR

**NON-BUSINESS PURCHASES:  
NOT RECOVERABLE**

# GST RETURN

MONTHLY DECLARATION

- **INCOME**
- **EXPENDITURE**
- **TAX**

FILE AND PAY RETURN ELECTRONICALLY BY 20<sup>TH</sup>  
OF THE FOLLOWING MONTH

# GST REFUND

WHERE GST ON PURCHASES IS GREATER THAN  
GST ON SALES

- **REGULAR PAYMENT TAXPAYER**
  - EXPECTED TO TAKE 6 MONTHS, AFTER DUE PROCESS
- **REGULAR REPAYMENT TAXPAYER**
  - EXPECTED TO TAKE 2 MONTHS, AFTER DUE PROCESS

# OBJECT & APPEAL

## THREE LEVELS OF APPEAL

- **OBJECTION**
  - TO IRD (INDEPENDENT OF DECISION MAKER)
- **APPEAL**
  - TO APPEALS TRIBUNAL
- **APPEAL**
  - TO HIGH COURT

# INTEREST & PENALTIES

A RANGE OF INTEREST AND PENALTIES EXISTS:

- **INTEREST**

Unpaid tax by taxpayer. Unpaid refund by IRD 1% per month or part

- **PENALTIES**

Range of Civil Penalties for example Failure To Register. Failure To File.

Range of Criminal Penalties for example Obstructing A Tax Officer.  
Offences by A Tax Officer

# RECORDS

## **RECORDS ARE REQUIRED TO BE KEPT FOR 7 YEARS:**

- RECORDS OF SALES, PURCHASES
- INVOICES RAISED AND RECEIVED
- BANK STATEMENTS
- ANY OTHER ACCOUNTING RECORDS USED IN THE BUSINESS

# SUPPORT

## IRD SUPPORT

- ADVISE IF YOU SHOULD BE REGISTERED
- GUIDE YOU THROUGH THE REGISTRATION PROCESS
- HELP YOU TRANSITION INTO GST, INCLUDING:
  - Repealed taxes
  - Stock on hand
  - Work in progress
- FACILITATE OBJECTIONS TO DECISIONS
- CONFIRM IF YOUR SUPPLIER SHOULD CHARGE YOU GST

# CONTACT

## INLAND REVENUE DEPARTMENT

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