These notes are for guidance only. They reflect the law and the tax position at the time of publication. They do not replace the legislation or affect your rights of appeal about your own tax position

If in doubt, consult the Inland Revenue Department.

This leaflet is part of our new series of leaflets, written in plain language, to explain various aspects of the tax system.

Each leaflet covers just one topic. Other leaflets you may find useful include

IR102 Should I be registered for VAT?
IR103 How to register for VAT
IR104 Keeping records for VAT
IR105 VAT invoices
IR 107 Accounting for VAT

You can get further help, and copies of forms and information leaflets from the Inland Revenue Department, Financial Complex, Carenage, St. George's.

For further information contact our department at:

Tel: (473) 440-2695/1998/3556/2731/

435-6945/435-6946

Email: irdgnd@spiceisle.com

Website: www.irdgrenada.com

Comptroller, Inland Revenue

FOR NATION BUILDING

What is VAT?

Inland Revenue Department
Ministry of Finance
Financial Complex Bldg
Carenage
St. George's
Grenada

IR 101

Introduction

The Value Added Tax, or VAT as it is usually known, is a tax on the value of imports and the value added to goods and services. The tax is imposed when the goods or services are transferred to a consumer; whether to another business or to a member of the general public.

What is added value?

As goods and services progress through the production and delivery process extra costs are incurred. These costs include such things as, employee wages, transport, storage and other overheads, plus profit mark up.

Such expenses or charges represent the value added to the goods or services.

How is the tax charged?

The Tax is inclusive in the price of the goods or services. Therefore the tax is paid by the consumer.

When is the Tax charged?

VAT is charged when goods are imported or sold or when services are provided.

Can anyone charge VAT?

No.

Only those businesses that are registered for VAT with the Inland Revenue Department .

Which business should register?

Businesses with annual taxable supplies in excess of $120,000.
Please ask for leaflet IR102 which deals with this question and sets out the turnover threshold for registration.

What are the taxes VAT would be replacing?

The value added tax (VAT) would be replacing the General consumption tax, Airline Ticket Tax and Motor Vehicle Purchase Tax.

How does VAT differ from the General Consumption Tax (GCT)?

Both VAT and GCT are taxes on consumption. However, each time GCT is charged some of the tax is imposed on tax paid previously.

This is known as 'cascading' and the tax element in the final price may have increased by over 20% as the goods pass through the chain of transactions.

Under the VAT system, tax is charged only on the value added at each stage.

Are there any benefits from changing to a VAT system?

Yes.

Most businesses that are registered for VAT (known as registered persons) will be able to claim relief for the VAT they have paid.

Under the present system, exports are unable to successfully compete in the global market. This is because the amount of tax paid on materials used to produce goods for export is not considered for refund.

Under the new system, VAT would be exempted on exports.

The flow of tax to the Government will be improved, since tax is collected and paid at each stage in the transfer of goods or the supply of services.

In addition, we expect the burden on business of complying with the tax laws, and our administration costs to be less.

VAT for nation building .