



# The VAT Guide

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## **INTRODUCTION**

This Guide to the Value Added Tax (VAT) is designed to give information on the main features and procedures of VAT. In addition, it will give an understanding of accounting for the VAT.

If you cannot find the answer to a particular question, or if you need assistance or advice, don't guess, call or write to us.

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## CHAPTER 1

### What IS VAT?

#### 1.1 What is Value Added Tax (VAT)

Value Added Tax is a Tax on consumer spending collected in stages, at the point of importation and on business transactions when goods change hands or services are performed.

For VAT purposes, “business” has a very wide meaning and can include activities on which no profit is made.

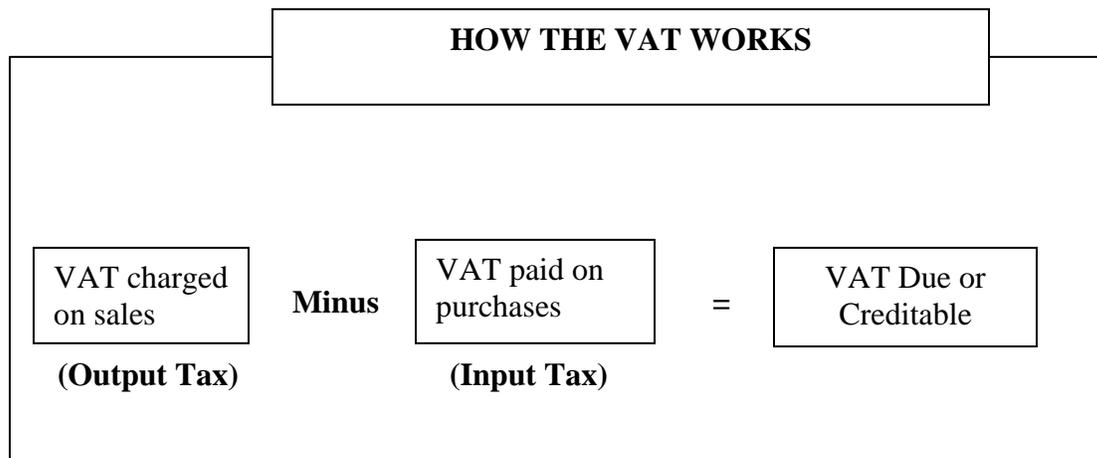
The VAT Act Section 2 defines what constitute a business and the following are examples of business transactions

- the facilities of a club, organization or association
- admission to premises
- provision of goods or services made for a consideration

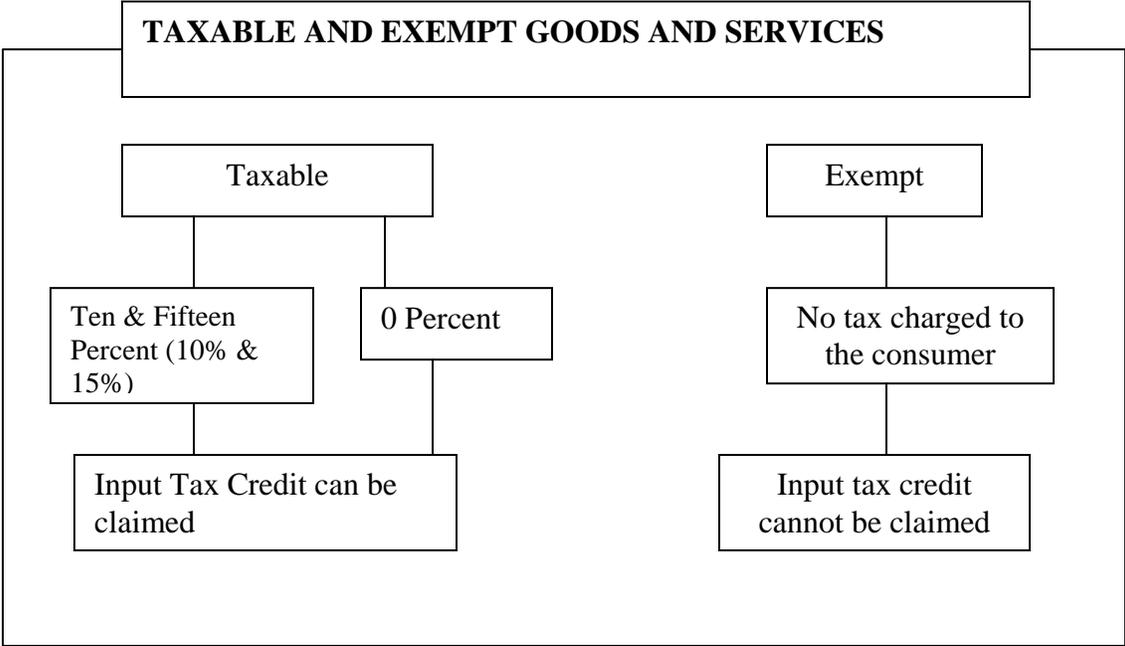
Business transactions, which are liable to VAT, are called taxable supplies. Those that are not liable to VAT are called exempt supplies.

#### 1.2 How does VAT Work?

Any registered person who makes taxable supplies of goods and services of \$120,000 per annum or more, or any person that has been carrying on a business for less than 12 months and the average monthly value of taxable supplies was \$10,000 monthly or more, is required to register for VAT. Only registered persons can charge VAT on their supplies as output tax and claim credit on their purchases of supplies as input tax.



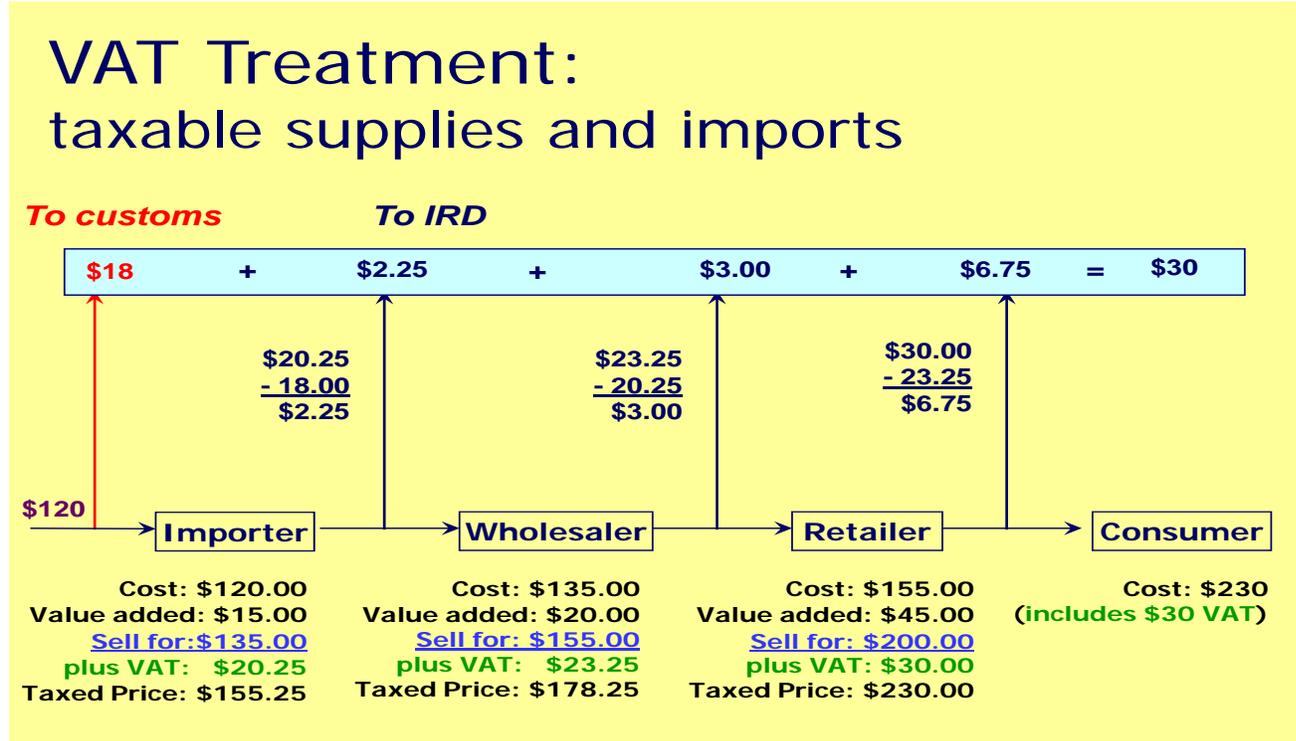
The registered person will charge VAT on the sale of his taxable goods and services and pay VAT on his purchases. If the VAT charged on the sales is more than the VAT paid on his purchases, the difference should be paid to the VAT Unit, Inland Revenue Division. If it is less, the person will be entitled to carry forward the excess credit to the following tax period. If after three months, the excess for a given tax period is not used, then it will be refunded. Before the amount is refunded, the VAT Unit, Inland Revenue Division will have the authority to use the amounts to clear any other tax balances that the taxpayer may have before a refund will be processed.



Taxable supplies are taxed at either the Standard rate of 15% and 10% or at Zero-rate (0%). Those supplies that are Zero-rated are listed in the First, Second and Third Schedules of the VAT Act. Input tax paid can be claimed on all taxable supplies.

Registered persons making exempt supplies cannot charge consumers any VAT or reclaim any input tax relating to those supplies. The Fourth Schedule of the Act contains the list of exempt goods and services.

1.3 How VAT is collected on a fully taxable item along a chain of registered businesses



**Importer**

At importation the importer pays \$18.00 to Customs which is 15% VAT on the \$120.00, the cost of the item. The importer marks up his product by \$15.00 and charges 15% on the \$135.00, which amounts to VAT of \$20.25. Thus the total selling price of the item to the wholesaler is \$155.25.

What the importer will pay to the VAT Unit, Inland Revenue Division by the 20<sup>th</sup> of the following month is \$2.25, which is the difference of the \$20.25 collected from the wholesaler and the \$18.00 paid to Customs.

**Wholesaler**

The wholesaler buys the item for \$155.25 but because he can claim the \$20.25 VAT he paid to the importer as input tax, his markup should be on the \$135.00 rather than the \$155.25. If he marks up the item by \$20.00 thus his VAT-exclusive selling price is \$155.00. The VAT charged at 15% results to an amount of \$23.25 bringing the final selling price to \$178.25.

The wholesaler's payment to the Division is \$3.00. The difference between the \$23.25 collected from the retailer and the \$20.25 he paid to the importer.

### **Retailer**

The retailer buys the item for \$178.25, but because he can claim input tax credit he will mark up the item on the \$155.00 only. The retailer marks up the item by \$45.00, the cost is now \$200 and 15% VAT charged to the consumer is \$30.00. Thus the selling price to the consumer is \$230.00

The retailer pays in to the Unit \$6.75, which is the difference between the \$30.00 collected from the consumer and the \$23.25 he paid to the wholesaler.

### **Consumer**

The consumer is the person who bears the ultimate tax of \$30.00 since the final cost of the item is \$230.00.

**Note** at the end of the distribution chain the total VAT collected by Government from importer to consumer stage is \$30.00

## CHAPTER 2

### **VAT ON SUPPLY**

**2.0** VAT is chargeable on the taxable supply of goods and services within Grenada, by a registered person. This is a supply in the course of, or furtherance of the Business.

#### **2.1 Definition of Supply**

The term “Supply” is widely defined in the Act and refers to the goods and services provided which include the transfer, sale, lease, or other disposition of goods or the provision of services.

#### **2.2 Definition of Service**

Is anything that is not a supply of goods or money including, without limitation:-

- (a) the grant, assignment, termination, or surrender of a right;
- (b) the making available of a facility, opportunity, or advantage;
- (c) refraining from or tolerating an activity, a situation, or the doing of an act;
- (d) the issue of a licence, permit, certificate, concession, authorisation, or similar document; or
- (e) anything that is deemed to be a supply of services by this Act or by the Regulations.

#### **2.3 Deemed Taxable Supplies**

In addition, certain transactions are deemed to be taxable supplies where:

- (a) the stock in trade is being disposed of in the course of a business being transferred as a going concern;
- (b) goods of a business are seized and sold to satisfy a debt;
- (c) goods of a business taken for private purposes;
- (d) a person ceases to be registered but continues to carry on business, the stock in trade is deemed to have been supplied;
- (e) an indemnity payment is made under a contract of insurance in respect of a loss incurred in the course of business, the payee is deemed to have made a taxable supply.

## CHAPTER 3

### REGISTRATION

#### 3.1 Compulsory Registration

A taxable person is an individual, partnership, company etc that is required to be registered for VAT. A person who makes or expects to make taxable supplies of \$120,000 or more per year must register for VAT. Where the business has been in operation for less than a 12-month period and the average monthly taxable turnover is \$10,000 or more, the person is deemed a taxable person and must register for VAT. This person must obtain from the VAT office an Application for Registration Form. Any person, who fails to register, will be liable to a penalty.

Those persons below the turnover limit may apply for voluntary registration. The application may be approved if the Comptroller is satisfied that:

- (a) the person is making, or will make, supplies that would be taxable if the person were registered;
- (b) the person has a fixed place at which the person's taxable activity is carried on;
- (c) there are reasonable grounds to believe that the person will keep proper records and lodge regular and reliable VAT returns; and
- (d) if the person has commenced carrying on a taxable activity, the person has—
  - (i) kept proper records in relation to its taxable activity; and
  - (ii) complied with its obligations under other taxation laws, including the customs laws.

#### 3.2 Authority to Recover Tax

A registered person must charge the tax on taxable supplies made. Unregistered persons who charge or seek to charge the tax on supplies made, commit an offence.

#### 3.3 Certificate of Registration and TIN

After the application for registration has been approved, the Division will issue a Tax Identification Number (TIN) and a Certificate of Registration.

The Certificate of Registration must be displayed prominently at the place of business. The VAT Unit, Inland Revenue Division must be informed if the business is operated from more than one location. A Certificate of Registration will be provided for each location.



### **3.4 Notifications of Changes in Registration Particulars**

A Registered person must notify the Comptroller in writing within 21 days of:

- (a) any changes in the particulars provided on the application for registration; or
- (b) the closure of the business.

Examples of changes in the particulars provided on registration include:

- (a) change of name or trade name;
- (b) change of address;
- (c) change of telephone number;
- (d) change of status of business;
- (e) change of main business activity;
- (g) change of name or other particulars of partnership, joint ventures, etc.

Failure to do so may result in the person committing an offence.

The status of the registered person remains unaltered unless notice of changes is given to the Comptroller, i.e. the legal liability of the registered person is not affected by the changes, until the Comptroller is notified of those changes.

### **3.5 Cancellation of Registration**

A business that is no longer eligible for registration can apply for de-registration. Once the registration is cancelled the person will be notified of the effective date of deregistration. The VAT Certificate should be returned to the VAT Unit, Inland Revenue Division immediately upon deregistration.

The Comptroller may cancel the registration of a person if it appears that the person will not be required to be or should not continue to be registered.

The Comptroller must give notice of cancellation of registration, however the date of cancellation should not be less than two years after the day on which the business's registration commenced. Additionally, the business will remain on the register for a further six months after the date of cancellation.

## CHAPTER 4

### CHARGING VAT

A registered person is liable for VAT on the taxable supplies made within Grenada. Therefore, to ensure that VAT is correctly charged, the registered person must be aware of the following:

- (a) what is a taxable supply;
- (b) the time and place a supply is considered to have been made;
- (c) the rate of tax to be applied to each supply;
- (d) the value of a supply on which VAT is to be calculated;

#### **4.1 Taxable Supply**

A taxable supply is a supply of goods and/or services made in the course of, or furtherance of, any business. Therefore, where a supply is not exempted under Schedule Four it will be a taxable supply.

#### **4.2 Fourth Schedule - Exempt Supplies**

The goods and services in this Schedule are exempt and no VAT is charged on the supply. (See Appendix I)

#### **4.3 Place of Supply**

The place of supply is important as only supplies made in Grenada are taxable. A supply is considered to take place within Grenada if:

- a) the supplier is resident in Grenada; or
- b) the goods are in Grenada at the time of the supply; or
- c) the services are performed by a person who is in Grenada at the time the services are performed.

Generally a supply is not regarded as taking place in Grenada if the supplier is not resident in Grenada.

#### **4.4 Rate of Tax**

There are three rates: a standard rate of 15%, a reduced rate of 10% for hotel accommodation and dive operations and a zero (0%) percent rate.

#### **4.5 Zero-Rated Supplies**

Zero rated supplies are listed under the First, Second and Third Schedules. A copy of the Third Schedule listing domestic supplies that zero rated are attached as Appendix II. Any VAT paid on purchases made in producing zero rated supplies may be reclaimed, resulting in a totally tax free supply.

#### **4.6 Value of Supply**

The VAT charged on a supply (output tax) is calculated by multiplying the value of the supply by the rate of tax charged.

Where the consideration is not paid in money or paid partly in money, or where the transaction is between associated persons (not dealing at arm's length) the value of the supply is the fair market value.

In respect to imports, the value for VAT is the value of the goods determined by the Customs Act and any duties, taxes (other than VAT charged under this Act), and other charges that are charged, paid, or payable upon the entry of imported good.

#### **4.7 Time of Supply**

The time of supply identifies the tax period in which a transaction is to be taxed. The tax period is the period of one calendar month for which a registered person is to account for the tax.

The general rule is that a supply takes place at the earliest of the following:

- (a) the date the invoice is issued
- (b) the date of payment or
- (c) the date when the goods are made available or in the case of services, when the services are supplied.

Exceptions to the above are as follows:

- a) Where supplies are made under an agreement for lay away or with an option to purchase, or with an option to return, the supply is made when the goods are made available to the recipient;

- (b) Where services are supplied continuously as in the case of telephone, the time of supply is the invoice date;
- (c) Where goods or services are supplied under an agreement that requires periodic payments, the time of supply is when an invoice is given, or where no invoice is given, the earlier of when payment is made or becomes due;
- (d) Where goods are supplied periodically in a situation where payment becomes due, at the time of the issue of an invoice, the time of supply is the earliest of:
  - (i) the date an invoice is given
  - (ii) the payment date; or
  - (iii) the date when payment is due;
- (e) With respect to construction projects, where the agreement states that payment will be made at various stages of construction e.g. a deposit, a payment on completion of foundation etc., the supply at each stage takes place at the earliest of:
  - (i) the date the invoice is given for that stage;
  - (ii) the date payment for that stage becomes due, or
  - (iii) the date payment for that stage is made.
- (f) With respect to imports, the time of supply is the time the goods are entered for home use by customs.
- (g) In the case of a self supply, the time of supply is when the goods are taken into use.

In conclusion then, a registered person should, before charging VAT, do the following:

- (a) ensure that the supply is within Grenada;
- (b) ensure that the supply is a taxable supply;
- (c) establish the correct rate of VAT on the supply;
- (d) determine the value of the supply;
- (e) determine the time of the supply.

***A registered person's liability to VAT is not affected by his business practice or by non-collection of payment for supplies made during the tax period.***

For example, a registered person may sell an item on credit on July 1st, 2010 (invoice and delivery date) and not receive payment until say October 1st, 2010. The responsibility of the

supplier to account for the VAT hinges on identifying time of supply, which in this situation is dictated by the invoice and date. That registered person's first tax period ends 31st July, 2010, he is liable for VAT on that supply in that first period even though payment was not received until his fourth tax period.

## CHAPTER 5

### ACCOUNTING FOR VAT

For a supply to fall within the scope of the VAT it must be made within Grenada, if it is made outside of Grenada it does not attract any VAT.

The registered person must account to the VAT Unit, Inland Revenue Division for the difference between the VAT charged on his sales and other supplies (output tax) and the VAT paid on his purchases and imports (input tax). This must be done monthly.

#### **5.1 Tax Period**

The Tax Period will be one calendar month. This is the period in respect of which a registered person must account for and pay the tax over to the Division.

#### **5.2 Output Tax**

Output tax is calculated by multiplying the value of the taxable supplies by the rate of tax. The total of this amount within a calendar month should be the output tax for the period.

#### **5.3 Input Tax**

Input tax is paid by registered persons on purchases and at the point of importation. To claim input tax the amount must be supported by a VAT invoice or Customs authenticated document clearly showing the amount of VAT paid.

Input tax is deducted from output tax to arrive at the VAT liability. The input tax which a person may deduct in any tax period, depends on the taxable (zero and standard-rated) supplies. Input tax paid on making exempt supplies cannot be deducted.

When the supplies during the period consist of both taxable and exempt supplies, the input tax which that person may deduct is as follows:

- (a) all input tax charged on supplies required solely for producing taxable supplies;
- (b) none of the input tax charged on supplies required solely for producing exempt supplies;

- (b) where the input tax was charged for supplies used for producing both taxable and exempt supplies e.g. rental of both residential and commercial property, only that portion of the input tax related to his taxable (rent of commercial property) supplies would be allowed using the “apportionment formula”, which is

$A \times B/C$  where

A = Total input less (inputs directly related to taxable activity + inputs directly related to exempt activity)

B = Value of all **taxable** supplies exclusive of the VAT

C = Value of all supplies exclusive of VAT (both taxable and exempt)

If the ratio of B/C is greater than 0.90, the registered person may claim all input tax

incurred for the period

If the ratio is less than 0.10, the registered person cannot claim any input tax incurred during the period.

#### 5.4 Adjustments to Output Tax

There are some circumstances in which the registered person may need to adjust the amounts arrived at for output tax. Such circumstances are as follows:

- (a) A taxable supply has been cancelled;
- (b) Consideration for a taxable supply has been altered;
- (c) Goods or services (or part thereof) that were the subject of a taxable supply are returned to the supplier
- (d) The nature of a supply is fundamentally varied or altered in a such a way that the supply becomes or ceases to be a taxable supply.

#### 5.5 Bad Debts

It must be remembered that a registered person accounts for VAT on the basis of time of supply which, for the normal case, is the earliest of:

- (a) date of issue of invoice;
- (b) date of payment; or
- (c) date that goods were made available or services performed.

If a person grants supplies on credit the VAT is still due on these supplies. The VAT liability is not affected by non collection of payment for the supplies made during the tax period. The Act makes provision for relief to be granted where the tax was paid on a supply that has proven to be uncollectible.

A registered person may be allowed to claim for bad debt relief if he satisfies the following criteria.

- (a) he must have already accounted for VAT on the supply in respect of which the amount is outstanding;
- (b) all or part of the consideration must be outstanding despite reasonable efforts have been made to collect it;
- (c) twelve months have elapsed since the time that the amount in question became due and payable; and
- (d) the amount must have been written off in his books as a bad debt.

Where the registered person can satisfy the Comptroller that these criteria are met, he can claim relief for this bad debt up to the amount of tax included in the amount written off. This can be done in the first tax return immediately following the end of the 12 months mentioned above.

If, subsequently, the registered person recovers the amount written off, or any part of it, he must add the tax content of the amount recovered to this tax liability in the tax period that it is recovered.

## **5.6 Credit and Debit Notes**

A credit or debit note will be issued if a VAT invoice has been changed after it has been issued. The credit or debit note has to show the following:

- (a) the words “VALUE ADDED TAX DEBIT NOTE or CREDIT NOTE” or “VAT DEBIT NOTE or CREDIT NOTE” in a prominent place;
- (b) the name, address, and TIN of the supplier;
- (c) the name, address, and TIN of the recipient;
- (d) the individualized serial number of the debit note and the date on which the debit note was issued;
- (e) the reason for the issue of the debit note and sufficient information to identify the taxable supply to which it relates;
- (f) the consideration for the supply shown on the original VAT invoice and, if it has changed, the correct amount of the consideration for the supply; and
- (g) the effect of the VAT adjustment event on the VAT payable, shown by specifying:

- (i) the amount of VAT previously payable in relation to the supply, as shown on the original VAT invoice or, if relevant, as shown on the most recent VAT debit or credit note issued in relation to the supply;
- (ii) the correct amount of VAT payable in relation to the supply following the VAT adjustment event that gave rise to the requirement to issue the debit note; and
- (iii) the difference between those two amounts, shown as a debit.

## CHAPTER SIX

### VAT RETURNS, PAYMENTS AND REFUNDS

#### 6.1 Returns

A return form must be completed at the end of each tax period (one month), and submitted to the VAT Unit, Inland Revenue Division, with any tax due, by the twentieth day following the end of the tax period.

If no taxable supplies were made during the entire month a return must be submitted showing the relevant information. Note, the registered person is held responsible for the payment and submission of returns if away from the place of business.

If unsure of the procedures to complete the return form, or anticipate some difficulty in doing so, get in touch with the VAT Office.

#### 6.2 Payment of tax

The VAT liability can be paid by cash, cheque, or card transaction at the VAT Office. Cheques should be made payable to the Government of Grenada. When a cheque is sent be sure to quote the tax identification number on the back of the cheque. **It is not advisable to send money through the post.**

#### 6.3 Credit/Refunds

Refunds of VAT cannot be made unless all the VAT returns due have been submitted. If there are any outstanding tax liabilities these will be offset against the amount of refund due. The oldest outstanding liability will be cleared first.

Excess credit for a given tax period, will not normally be paid until the credit has been carried forward for three months.

## CHAPTER SEVEN

### ASSESSMENTS

#### 7.1 Assessment of registered persons

VAT is a self-assessing system of taxation. A person's VAT return may be the final indication of his VAT liability. However, the Comptroller may assess the VAT liability of a registered person in any of the following circumstances:

- (a) where the registered person fails to submit a return;
- (b) where the registered person requests the Comptroller in writing to amend his return; or
- (c) where the Division is not satisfied with the registered person's return.

In each of these cases, the Comptroller will use the information at his disposal to either determine the liability, or adjust the declared liability upward or downward. Where the registered person's liability is increased or determined, as in the case of a non-submission of a return, the Comptroller may impose a penalty on the increased liability as the case may be. Interest shall also be applicable to that effect.

#### 7.2 Assessment of non-registered persons

The Comptroller may assess a person who is not registered in certain cases, that is:

- (a) where that person is over the threshold but has not applied for registration and has made a taxable supply; or
- (b) where a person who makes a supply:
  - (i) falsely represents that VAT is charged on that supply;
  - (ii) falsely represents the amount of tax charged; or
  - (iii) wrongfully received or seeks to recover an amount of VAT.

The output tax of an unregistered person will be determined on the basis of all the information available to the Comptroller. The Person is entitled to his allowable input tax, but only to the extent that he can substantiate a claim for that input tax.

A registered person may also be assessed under clause (b) above.

## CHAPTER EIGHT

### **ADMENDMENT OF ASSESSMENTS**

**8.1** If at some time after the Comptroller has made an assessment, new facts are discovered, the assessment may be amended.

**8.2 Notices of Assessment**

The Comptroller must inform the person assessed in writing of the assessment, or of any amendment of the assessment.

**8.3 Time Limit for Assessments**

The Comptroller cannot make or amend an assessment after six years from the end of the relevant tax period unless there is evidence of fraud, willful default or gross neglect.

**8.4 Penalty**

Where an offence is committed under the VAT Act and results in an assessment being made or amended, the amended assessment is treated in all respects as an assessment under the Act. As such, all relevant interest and penalty associated with the offence is applicable, such as failure to file a return;

## CHAPTER NINE

### **BOOKS AND RECORDS**

#### **9.1 Introduction**

The aim of this section is to familiarize you with the legal obligations on what records to keep. Remember, there are penalties for failing to keep VAT records.

A registered person must keep records of all supplies made and purchases acquired during a tax period. Additionally, keep a VAT Account which is a summary of the VAT liability shown on the monthly return.

#### **9.2 Legal Requirements**

A registered person shall keep books and records:

- (a) expressed in the English Language and in EC/US currency;
- (b) to enable the Comptroller to arrive at the tax;
- (c) at the principal place of business in Grenada or such other place as the Comptroller may approve; and
- (c) for not less than seven years after the end of the last tax period to which they relate.

The actual books and records kept by a registered person would depend on a number of factors including the type of business activity undertaken. However, the books and records are those that would enable a registered person to ascertain his tax liability and to provide all the information required by the VAT Act.

Examples of the books and records include:

- Annual accounts
- Bank statements any paying-in slips
- Cash books and other account books
- Credit or debit notes you issue or receive
- Import and Export documentation
- Order and delivery books
- Purchase and sales books
- Purchase invoices and copy sales invoices
- A record of daily gross takings (retailers)
- Any relevant business correspondence (eg. Movement of stock between establishments)
- VAT account
- Cash register tills

### 9.3 What is a VAT Invoice?

A VAT invoice is a document that shows certain information about what is being transacted, whenever goods or services are supplied by a **registered person to another registered person**. A VAT invoice, which should be pre-numbered and must show the following:-

- (a) the words “VALUE ADDED TAX INVOICE” or “VAT INVOICE” in a prominent place;
- (b) the name, address, and TIN of the supplier;
- (c) the name, address, and TIN of the recipient;
- (d) the serial number of the VAT invoice and the date on which the VAT invoice is issued;
- (e) a description of the goods or services supplied, including the quantity, volume, or period, as applicable, and the date on which the supply was made;
- (f) the consideration for the supply; and
- (g) the amount of VAT charged.

The VAT invoice should be in two copies (one for the purchaser, one for the supplier to be made available to the Inland Revenue Division of when requested).

#### Sample of a VAT Invoice

<b>VAT INVOICE</b>		
<b>From:</b>	ABC Furniture Company.	<b>Invoice No:</b> 001
<b>Address:</b>	2 Flower St., St. George’s, Grenada	<b>TIN:</b> 987
<b>Date:</b>	April 1, 2010	
<b>To:</b>	XYZ Company	<b>TIN:</b> 002
<b>Address:</b>	49 Sunnyside Sr., Grenada	
<b>Quantity</b>	<b>Description and Price</b>	<b>Amount exclusive of VAT</b>
30	Stools at \$15.00 ea.	\$450.00
100	Chairs at \$70.00 ea.	\$7000.00
20	Tables at \$180.00 ea.	\$3600.00
20	Chairs at \$90.00 ea.	\$1400.00
		\$12,450.00
	<b>VAT 15%</b>	<b>1867.50</b>
	<b>TOTAL</b>	<b>\$14,317.50</b>

## 9.4 What is a Sales Receipt?

The sales receipt is **used to record sales to unregistered persons**. The sales receipt should include at least the following information:

- the words “VALUE ADDED TAX RECEIPT,” “VAT SALES RECEIPT,” in a prominent place;
- (b) the name, address, and TIN of the supplier;
- (c) the date on which the sales receipt is issued;
- (d) a description of the goods or services supplied, including the quantity, volume, or period, as applicable, and, if necessary to identify the supply, the date on which the supply was made;
- (e) the total consideration for the supply (including VAT); and
- (f) the amount of VAT charged.

## 9.5 Why are VAT invoices important?

Registered persons can only claim a tax credit for the VAT charged if a VAT invoice supports the claim. All VAT invoices received from suppliers and copies of all VAT invoices issued should be kept.

## 9.6 How Should Sales be recorded?

Registered taxpayers must issue tax invoices for sales made to each other. Where the sale is to an unregistered person a sales receipt may be issued. The entry of each invoice in the sales book should show:

- The date of the transaction,
- The invoice number;
- TIN and name of the purchaser;
- The value of supplies including VAT
- Value of any zero rated sales
- Value of any exempt sales
- Value of supplies excluding VAT
- VAT on sales

Value of supplies excluding VAT and VAT on sales could be broken down for sales between registered taxpayers and sales to unregistered taxpayers.

The information on the daily sales book will be used for preparing the monthly VAT return.

**Appendix 3 contains a sample format of how Sales records should be kept.**

Additionally, businesses using cash registers with till rolls and who also issue VAT invoices e.g. supermarkets, need to retain their VAT invoices and till rolls as part of their records. Also records generated by a computer including VAT Invoices must provide the same type of information as that of a manual system that shows clearly the tax on both purchases and sales.

The total VAT on all the records for the monthly taxable period should be added, and recorded in the VAT Account as output tax.

The issuing of credit notes will reduce the amount of VAT due; debit notes on the contrary increases the VAT due.

Note, if goods are given away and taken from stock for personal use or for tax-exempt activity, a record must be kept of:

- the description of the goods;
- the date they were taken from the stock;
- the cost including VAT; and
- the rate and amount of tax to be submitted

## **9.7 How Should Purchases be recorded?**

The purchases book should reflect all the invoices received from suppliers for the month. They should be kept and recorded in the book in this same order so that each invoice can be easily identified. The entry of each invoice in the book should show:

- The date of the transaction,
- The invoice number;
- TIN and name of the supplier;
- Total purchase price including VAT;
- Value of any zero-rated purchases;
- Value of any exempt purchases;
- Value of imports;
- VAT paid on imports;
- Value of local purchases excluding VAT
- VAT paid on local purchases

Credit/debit notes should also be maintained

The information on the daily sales book will be used for preparing the monthly VAT return.

**Appendix 4 contains a sample format of the Purchase Book**

**Remember** to be able to deduct VAT, it is necessary to have proper VAT invoices and the purchases must be for the business.

### 9.8 How Is The VAT Account Kept?

This is done for each monthly taxable period. It summarizes the input tax paid on all goods, services as well as tax on credit notes for the tax period. Also it shows the output tax due and payable including tax on any goods taken for own use.

To arrive at the total tax due or creditable, the input tax is deducted from the output tax. The difference is used to complete the VAT return which should be remitted along with any payment due no later than 20 days after the end of the accounting period. See example of a VAT Account below.

#### CBS FURNITURE LTD. VAT ACCOUNT July 1 – July 31, 2010

VAT Output Tax	\$	VAT INPUT TAX	\$
VAT on sales	6000.00	VAT on purchases	3000.00
VAT on goods used for own use	200.00	VAT on services used	300.00
VAT on bad debts recovered	75.00	VAT paid on imports	500.00
VAT on credit notes Received from suppliers	150.00	VAT on bad debts written off	200.00
<b>Total Output Tax</b>	<b>\$6,425.00</b>	VAT on credit notes given to customers	100.00
<b>Net VAT Payable</b>	<b>1,825.00</b>	<b>Total Input Tax</b>	<b>4,100.00</b>

Pay to the VAT Unit, Inland Revenue Division **\$1,825.00** (\$6,425.00 - \$4,600).  
If Input Tax is greater than the Output Tax a credit/refund is due.

## **CHAPTER TEN**

### **IMPORTS AND EXPORTS**

#### **10.1 Imports**

VAT is a tax on supplies, and on imports.

When goods are imported into Grenada, VAT is due at the same rate as the supply of locally produced goods. VAT on imports must be paid at the same time that the customs duty is paid. VAT will be calculated on the duty inclusive value of the goods plus any other taxes other than VAT charged under this Act. The relevant Customs Entry/document will be used in place of the VAT invoice, to account for VAT.

#### **10.2 Exports**

Exports will be zero-rated. Any claim for a VAT refund will only be paid after it has been verified that the goods or services have been exported. It is the registered person's responsibility to ensure that there is adequate evidence of exportation before making a claim that the goods and services are zero-rated.

## **CHAPTER ELEVEN**

### **OBJECTIONS AND APPEALS**

#### **11.1 Objections**

If a person is not satisfied with an assessment or amended assessment, he may object to that assessment.

The objection should be made in writing, stating specifically the grounds for the objection and must be made within 1 month of service, of the notice of assessment. The Comptroller may accept a late objection, but only where he is satisfied that there were good reasons for the delay.

#### **11.2 Appeals**

An appeal may be made to the Appeals Commissioners if a person is dissatisfied with a decision of the Comptroller on an objection to the assessment.

Such an appeal must be filed within 30 days of the date of service of the Comptroller's decision of the objection, or within such further time that the Tribunal may for good cause allow. The Tribunal will hold sittings to determine the merit of the case and its decision shall be final on questions of fact. Either party may appeal to the Supreme Court on a question of law.

## CHAPTER TWELVE

### **Obligations of a Registered Person**

A registered person is legally charged with certain responsibilities under the VAT Act and the Regulations. A summary of these responsibilities are:

#### **12.1 Charging VAT**

A registered person is required by law, to charge VAT on the taxable supplies made to customers and to ensure that the correct rate of tax is applied to these supplies.

#### **12.2 VAT Invoices**

A registered person is required to issue a “VAT invoice” when goods and services are provided to another registered person. A registered person must issue a “sales receipt” when goods and services are provided to an unregistered taxpayer. The registered person should also retain original VAT invoices received from suppliers as a claim for input tax will only be allowed where a proper VAT invoice is produced.

#### **12.3 Accounting for the VAT**

A registered person is liable to account for the VAT on all taxable supplies made, including those taxable supplies on which no tax may have been charged.

#### **12.4 Returns**

The registered person is required to file a return by the 20th day of the month following the end of each tax period.

#### **12.5 Payments**

Where a registered person furnishes a return showing that there is a net tax liability, the full amount of this liability must be sent to the VAT Office within 20 days of the end of the tax period in respect of which the payment is due.

#### **12.6 Change of Status**

Where any of the particulars given by the registered person in the application for registration form (VAT 001) have changed, or where the registered person dies, or

becomes bankrupt etc., the person responsible for his affairs, is required to notify the Comptroller in writing of the occurrence within 21 days using form VAT 002.

## **12.7 Displaying the Certificate of Registration**

The Certificate of Registration should be displayed in public view at the place of business or in each of its business location.

## **12.8 Returning the Certificate of Registration**

The Certificate of Registration should be returned to the Comptroller immediately upon cancellation of registration. When a person is deregistered, he is no longer allowed to charge VAT on supplies.

## **CHAPTER 13**

### **Penalty Regime**

Voluntary compliance is a major goal of the Government of Grenada. As such, the VAT Unit will ensure that a system of public education and awareness is carried out so that businesses are well aware of their rights and obligations. Notwithstanding this, the VAT legislation stipulates that breaches of certain provisions will attract a fixed penalty or summary conviction which involves taking the matter to court. The fixed penalty system involves the issuance of “tickets” by authorized officers indicating the breach of the particular offence and allowing the taxpayer an option to pay the related fine at the Magistrate Court within 31 days or have the matter resolved in Court

<b>Offenses</b>	<b>Penalty</b>	<b>Summary Conviction</b>
Failure to apply for registration	\$ 5,000.00	conviction to a fine not exceeding ten thousand dollars (\$10,000.) or a period of imprisonment not exceeding two years.
Failure to display VAT registration Certificate	\$ 2,500.00	conviction of a fine not exceeding five thousand (\$5,000.) or imprisonment for a period not exceeding 18 months.
Failure to notify changes affecting registration or to apply for cancellation of registration	\$ 2,500.00	conviction of a fine not exceeding five thousand dollars (\$5,000.) or a term of imprisonment not exceeding eighteen months.
Failure to comply with requirements after cancellation of registration	\$ 5,000.00	conviction to a fine not exceeding ten thousand dollars (\$10,000.) or a term of imprisonment not exceeding two years.
Failure to comply with notice of recovery for VAT	\$ 2,500.00	conviction of a fine not exceeding thirty thousand dollars(\$30,000.) or a term of imprisonment not exceeding three years.
Failure to keep records	\$ 2,500.00	conviction of a fine not exceeding five thousand dollars (\$5,000.) or a term of imprisonment not exceeding eighteen months.
Failure to comply with notice to give information	\$ 5,000.00	conviction of a fine not exceeding ten thousand dollars or a term of imprisonment not exceeding two years.
Non-compliance with VAT inclusive price quotation requirement	\$ 5,000.00	conviction to a fine not exceeding ten thousand dollars (\$10,000) or a term of imprisonment not exceeding eighteen months.
Failure to pay security	\$ 5,000.00	conviction a fine not exceeding ten thousand dollars (\$10,000.) or term of imprisonment not exceeding two years
Making a regular supply for an excessive price	\$ 5,000.00	
Failure to provide facilities	\$ 1,500.00	

**Additional to the fixed penalties there are other offences that would be liable to prosecution such as:**

- False Documentation or Tax Identification Number (TIN)

if a person use a false TIN or a TIN that does not apply to the person, issue a false VAT invoice, VAT credit note VAT debit note or sales receipt

- Providing False or misleading information

- make an understatement of tax payable or improper claim for refund.

- VAT evasion and Fraud



## Appendix 1 – Exempt Supplies

Item No.	Description
1.	<p>A supply of the following “financial services”—</p> <ul style="list-style-type: none"> <li>(a) granting, negotiating, and dealing with loans, credit, credit guarantees, and security for money, including management of loans, credit, or credit guarantees by the grantor;</li> <li>(b) transactions concerning money, deposit and current accounts, payments, transfers, debts, cheques, or negotiable instruments, other than debt collection and factoring;</li> <li>(c) transactions relating to financial derivatives, forward contracts, options to acquire financial instruments, and similar arrangements;</li> <li>(d) transactions relating to shares, stocks, bonds, and other securities, but not including custody services;</li> <li>(e) management of investment funds;</li> <li>(f) provision, or transfer of ownership, of an insurance contract or the provision of reinsurance in respect of such contract;</li> <li>(g) provision, or transfer of ownership, of an interest in a scheme, whereby provision is made for the payment or granting of benefits by a benefit fund, provident fund, pension fund, retirement annuity fund or preservation fund;</li> <li>(h) a supply of credit under a finance lease, if the credit for the goods is provided for a separate charge and the charge is disclosed to the recipient of the goods; or</li> <li>(i) the arranging of any of the services in paragraphs (a) to (h).</li> </ul>
2.	<p>A supply of goods, if the goods were used by the taxable person solely in connection with making exempt supplies, or if the goods are a passenger vehicle on which the person incurred input tax and was denied a credit under section 33(2)(b).</p>
3.	<p>The following supplies of real property:</p> <ul style="list-style-type: none"> <li>(a) a supply of vacant land; or</li> <li>(b) a supply of land to the extent that it is to be used for agricultural purposes.</li> </ul>
4.	<p>A sale of real property, to the extent that the property relates to residential premises, including land that is reasonably attributable to such premises.</p>

Item No.	Description
5.	A lease, licence, hire or other form of supply, to the extent that it is a supply of the right to occupy or be accommodated in residential premises.
6.	A supply of holiday or hotel accommodation, if the accommodation is provided to an individual, (alone or together with other individuals), who resides therein under terms consistent with a landlord and tenant agreement, and for a continuous period of more than 45 days, (counting the first day on which the person is supplied the accommodation and disregarding the day on which the person ceases to be provided with the accommodation).
7.	A supply of accommodation in, or the right to occupy as a residence, a caravan, houseboat, camping site, boat, marina berth, or similar place, on terms commensurate with those of landlord and tenant, if the accommodation is provided to an individual (alone or together with other individuals) for a continuous period of more than 45 days, (counting the first day on which the person is supplied the accommodation, and disregarding the day on which the person ceases to be provided with the accommodation).
8.	A supply by a condominium corporation to a member of the corporation, if the unit that is owned by the member, or the property the member, is entitled to occupy as a consequence of its membership, constitutes residential premises (including any garage, storage space, or other space associated with the premises, so long as that space is of a type commonly considered to be part of residential premises).
9.	<p>A supply of “education services,” consisting of tuition or instruction for students provided by an institution duly registered by the Minister of Education, being-</p> <ul style="list-style-type: none"> <li>(a) a pre-primary, primary, or secondary school;</li> <li>(b) a technical college, community college, or university;</li> <li>(c) an educational institution established for the promotion of adult education, vocational training, improved literacy, or technical education;</li> <li>(d) an institution established for the education or training of physically or mentally handicapped person; or</li> <li>(e) an institution established for the training of sports persons.</li> </ul>

Item No.	Description
10.	<p>A supply of medical, surgical, psychotherapeutic, dental, nursing, convalescent, rehabilitation, midwifery, paramedical, optical, or other similar services where the services are provided-</p> <p>(a) by an institution regulated by the Minister of Health; or</p> <p>(b) by, or under the supervision and control of, a person who is registered as being qualified to perform that service under a law of Grenada or whose qualifications to perform the services are recognised by the Government of Grenada.</p>
11.	<p>A supply of services in a nursing home or residential care facility for aged, indigent, infirm, or disabled persons who need permanent care.</p>
12.	<p>A supply of veterinary services by a person who is licensed or recognised by the Grenada Medical, Dental, and Veterinary Surgeons Regulatory Board.</p>
13.	<p>A supply of goods or services by an approved non-profit body, as prescribed by the Minister, if the supply is made for a prescribed purpose.</p>
14.	<p>A gambling supply conducted by an approved non-profit body.</p>
15.	<p>A supply of a ticket in a lottery conducted by the Grenada National Lottery Authority or the Windward Islands Lotteries Commission.</p>
16.	<p>A supply of the transportation of passengers within Grenada by taxi, bus, or ferry, but not including a supply of a chartered tour of a kind ordinarily provided to tourists or other visitors to Grenada.</p>
17.	<p>A supply of unprocessed agricultural products if:</p> <p>(a) the supplier is the producer of the products; or</p> <p>(b) but for paragraph (3) of Schedule I , the supply would have been a zero-rated export under paragraph (1) of that Schedule.</p>
18.	<p>A supply of agricultural or fishing inputs, if the import of the thing supplied would be exempt under paragraph (a) or (g) of item 3 in Schedule 5.</p>

<b>Item No.</b>	<b>Description</b>
<b>19.</b>	A supply of aircraft's stores or ship's stores, or of spare parts for an aircraft or ship, if the stores or parts are for use, consumption, or sale on the aircraft or ship during a flight or voyage that constitutes international transport.
<b>20.</b>	A supply of the services of repairing, maintaining, cleaning, renovating, modifying, or treating an aircraft or ship engaged in international transport.
<b>21.</b>	<p>A supply to a non-resident who is not a taxable person of services that_</p> <p>(a) consist of the handling, pilotage, salvage, or towage of a ship or aircraft engaged in international transport</p> <p>or</p> <p>(b) are provided directly in connection with the operation or management of a ship or aircraft engaged in international transport</p>
<b>22.</b>	A supply of international transport services.
<b>23.</b>	A supply of insuring, arranging for the insurance of, or arranging for, the international transport.

## Appendix 2 – Zero Rated Supplies

Item No.	Description
1.	A supply or import of food for human consumption to the extent provided in regulations: <ul style="list-style-type: none"><li>• Flour</li><li>• Sugar</li><li>• Rice</li><li>• Milk</li><li>• Infant preparations</li></ul>
2.	A supply of water if- (a) provided to residential premises for private or domestic use, provided that in each tax period, only the first 2,900 gallons of water supplied to a single household is zero-rated; or (b) provided for use in agriculture or commercial fishing.
3	A supply of electricity provided to residential premises for private or domestic use, provided that in each tax period only the first 99 kilowatt hours of electricity supplied to a single household is zero-rated.
4.	A supply of stamps by the Grenada Postal Corporation.
5.	A supply of motor spirit (gasoline), diesel, LPG, or Kerosene, if it is subject to tax under the Petrol Tax Act 2005.

## Appendix 3

### Sales Records

Date	Invoice #	Exempt Supplies	Zero rated Supplies	10% supplies	VAT	15% supplies	VAT	Total
1	2	3	4	5	6	7	8	9

#### Instructions

- Each line represents one tax invoice (e.g. if there were 123 transactions during the month, then there would be 123 line entries)
- Credit and debit notes can be maintained in a separate table

- 1. Date:** insert date of the transaction
- 2. Invoice number:** insert the specific invoice number of the transaction (sales to final consumer would have sales receipt #)
- 3. Value of exempt supplies:** if the supplies were exempt, then insert the total value of exempt supplies from the invoice
- 4. Value of zero-rated supplies:** the total value of zero rated supplies from the invoice
- 5. Value of 10% supplies:** the total value of 10% supplies from the invoice
- 6. VAT:** the amount of VAT charged on supplies that attract a rate of 10%
- 7. Value of 15% supplies:** the total value of 15% supplies from the invoice
- 8. VAT:** the amount of VAT charged on supplies that attract a rate of 15%
- 9. Total:** the value of the supplies plus VAT

#### Completing your VAT Return

At the end of each calendar month insert the following information:

1. Line 200 – totals of column 7 plus Column 8
2. Line 210 – totals of column 5 plus column 6
3. Line 220 – total of column 4
4. Line 230 – total of column 3
5. Line 240 – total of column 9
6. Line 250 – total of column 8
7. Line 260 – total of column 6
8. Line 295 – total of column 6 plus column 8

# Appendix 4

## Purchases Record

Date	Invoice #	Imports	VAT	Domestic Purchases	VAT	Total
1	2	3	4	5	6	7

**Instructions**

- Each line represents one tax invoice or one import declaration (e.g. if there were 123 purchases during the month, then there would be 123 line entries)
- Credit and debit notes can be maintained in a separate table

- 1. Date:** insert date of the transaction
- 2. Invoice number:** insert the specific invoice number of the transaction
- 3. Value of import:** the value of the goods imported, (CIF + all customs duties and taxes exclusive of VAT)
- 4. VAT paid on imports:** the amount of VAT paid at time of importation
- 5. Domestic purchase price:** indicate the total purchase price exclusive of VAT
- 6. VAT:** VAT paid/payable on domestic purchases
- 7. Total:** Total acquisitions plus input VAT

**Completing your VAT Return**

At the end of each calendar month insert the following information:

1. Line 300 – total of column 3
2. Line 310 – total of column 5
3. Line 320 – total of column 4
4. Line 330 – total of column 6
5. Line 395 – total of column 4 plus column 6

## **Further Help and Advice**

*If you need further information or assistance contact the VAT Unit at the following address*

*VAT Unit  
Inland Revenue Division  
Cnr. Of Young & Scott Streets  
St. George's  
GRENADA*

*Tel. No. 473-435-6945/46; 9085*

*Fax : 473-435-9086*

*Email: [VAT@gov.gd](mailto:VAT@gov.gd)*

*Website: [www.irdgrenada.com](http://www.irdgrenada.com)*