Vision

To be recognized as competent in customs and tax administrations

Mission

For the good of Vanuatu, collect revenue, protect our boarders and facilitate legitimate trade

Values

- Effective leadership
- Result focus
- Continuous improvement & learning
- Design in quality & prevention
- Partnership improvement
- Valuing employees
- One organization

For further information contact Inland Revenue office using the details below:

Department of Customs & Inland Revenue

P.M. Bag 9012
Port Vila
Vanuatu

Phone: +678 24573 or 33091
Email: vatqueries@vanuatu.gov.vu
Facebook: https://www.facebook.com/VuDCIR
Website : https://customsinlandrevenue.gov.vu

VANUATU
CUSTOMS & INLAND REVENUE
SERVICE DE LA DOUANE ET DES CONTRIBUTIONS INDIRECTES

Accounting for VAT

Value Added Tax

Accounting for VAT

There are two ways you can account for VAT - using an invoice or a payments basis. This pamphlet explains how each basis work, and how you can change your accounting basis.

Invoice Basis (Accrual Basis)

Using the invoice basis you account for VAT in the taxable period in which you:

- issue or receive a tax invoice, or
- receive or make a payment.

(whichever is the earliest)

For purchases, you claim the VAT on the taxable period in which you receive a VAT tax invoice, or make a payment.

Note: You must hold a proper tax invoice when claiming a VAT tax credit.

Example

Taman sells coffee machines to coffee culture on 1 August 2015 and issues a tax invoice on the same day. Coffee culture makes payment on 4 September 2015. Both Taman and coffee culture account for VAT on an invoice basis and must submit VAT Returns each month.

Since the tax invoice was issued in August, both Taman and Coffee Culture account for the VAT collected and paid in their return for August 2015.

Advantages of invoice basis

You can claim VAT incurred on purchases before making a payment. Also it may suit your existing accounting system.

Disadvantages of invoice basis

You may have to account for VAT to the VAT Office before actually receiving the payment. If you use a cashbook or bank statement to record business transactions, you will need to keep lists of debtors and creditors at the end of each VAT period.

This because you will have to account for items where you have received or issued an invoice, but which don't appear in your cashbook or bank statement.

The payment basis

The payments basis means you account for VAT when payments are made or received. This is why it is sometimes called the cash basis.

Example

Oscar sells a box of jewelry for VT 27,000, which includes VAT, on 10 October 2016, and issues an invoice on that day.

He receives a payment of VT 13,500 on 1 December 2016, and another payment on 5th January 2017.

Oscar accounts for the VT 1,500 VAT (13,500 divided by 9) in the taxable period ended 31 December 2016, and for VT 1,500 VAT in the taxable period ended 31 January 2017.

The payments basis is different to the invoice basis in that you do not account for debtors and creditors at the end of each taxable period.

Advantages of accounting for VAT on payments basis

The payments basis is suitable for a small business which currently use the cash system. Cashbooks can easily be amended to account for VAT.

You usually account for VAT when payment is received from the customer. This is to your benefit if you give lengthy periods of credit terms to your customers.

Disadvantages of payments basis

You can only claim for VAT incurred on purchases or expenses after making payment to the supplier.

Changing your Accounting Basis

As a VAT registered person you will be able to choose an accounting basis that suits you. At some stage you may like to change your VAT accounting basis. To do so, you must apply in writing to the VAT Office requesting the change and with relevant reasons.

Please contact our office should you require more information's on any of our brochures