

## Vision

We are a Capable and Committed Customs & Tax Administration for a modern Vanuatu.

## Mission

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

## Values

- Leadership.
- Result focused, including revenues.
- Inclusiveness.
- Integrity.
- Embracing change.
- Valuing employees.
- One organization.

For further information contact Inland Revenue office, Taxpayer Services Section using the details below:

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V A N U A T U  
**CUSTOMS & INLAND REVENUE**  
*SERVICE DE LA DOUANE ET DES  
CONTRIBUTIONS INDIRECTES*

## **Introduction to VAT**

### **Value Added Tax**



# Introduction to VAT



VAT is an indirect consumption tax imposed at the rate of 15% on most goods and services supplied in Vanuatu by registered persons in the course of a taxable activity. It is also imposed on most goods imported into Vanuatu. Some supplies are specifically exempted from VAT, while others are zero-rated (i.e. treated as taxable supplies but at a rate of 0%).

Supplies which are exempt from VAT include financial services, donated goods and services sold by non-profit organisations, residential rental accommodation, and the sale of a property which has been used for residential rental accommodation for at least 5 years.

VAT operates on a credit-offset basis. A VAT registered person (whether they be an importer, manufacturer, wholesaler or retailer) is required to account for VAT on the value of each taxable supply they make, however they are entitled to recover this amount from the consumer as part of the cost of the goods or services supplied.

In addition, the registered person is entitled to deduct any tax paid on supplies made to them by another registered person. Therefore, it is not the registered person (business) that bears the burden of VAT – it is the final consumer of the good or service.

Exempt supplies are completely excluded from the VAT regime – no VAT is charged on them and VAT cannot be claimed back on the expenses incurred in supplying them. With zero-rated supplies, however, no VAT is charged on the supply but VAT can be claimed back for expenses incurred in making the supply.

VAT is charged only on supplies made by registered persons. A person must be registered for VAT if they carry on a taxable activity and their total taxable supplies in any 12-month period exceeds, or is expected to exceed VT4 million. Persons with an annual turnover of less than VT 4 million have the option of registering for VAT, provided they are carrying on a taxable activity. The purpose of this threshold is to reduce compliance and administration costs by excluding part-time traders, non-profit organisations, and hobbyists whose VAT liabilities would be insignificant.

A taxable activity is any activity carried on continuously or regularly, whether or not for profit, which involves the supply of goods and services for consideration.

It includes any such activity carried on in the form of a business, trade, manufacture, profession, vocation, association, or club. The activities of public and local authorities are specifically included. Private recreational pursuits or hobbies, employment (including engagement as a company director), activities carried on by international companies and activities which involve the making of exempt supplies are not taxable activities.

Registered persons are required to provide returns and pay the tax owing (if any) on the 27<sup>th</sup> day of the month following the end of their taxable period, except in the case of returns otherwise due on 27 December which are not required until 5 January. The normal taxable period is 1 month, however if a person's taxable supplies are less than VT8 million a year they can apply to file 3 monthly returns.

The amount of tax payable for each taxable period by registered persons is the difference between the tax collected on their sales/income and the tax paid on their purchases/expenses. If the amount of tax paid exceeds the amount collected, the registered person receives a VAT refund. A number of adjustments might be required when calculating the tax to pay/refund (e.g., for private use of business assets, entertainment expenditure, bad debts recovered, barter transactions, and changes in the accounting basis used).

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