

**PORT VILA
VANUATU GOVERNMENT**

The Constitution Building, Lini Highway, PMB 9012 Port Vila
All general enquiries contact Tel: 67824573 Fax: 678 24574

Email: vatqueries@vanuatu.gov.vu

Web: <http://customsinlandrevenue.gov.vu>



VAT

Do you need to register?



Index
Page

INTRODUCTION **3**

PART ONE – ABOUT REGISTERING

Taxable activities	4
Taxable supplies	4
Exempt supplies	4
Calculating turnover	4
Who must register for VAT?	4
Voluntary registration	5

PART TWO – PAPERWORK

Accounting for VAT	6
Taxable periods	6
Claiming back VAT	6
Tax Invoices	7
Due dates for filing VAT returns	7
What a registered person must do	7
Completing the VAT registration form	7
What happens next?	7

PART THREE – FURTHER ASSISTANCE/INFORMATION **8**

INTRODUCTION

This booklet explains whether you have to register for **Value Added Tax (VAT)** and tells you what the advantages and disadvantages of voluntary registration are. It also gives a brief outline of how VAT works.

If after reading this booklet you decide to register, the Application for Registration form (CT 201) is available from the Department of Customs and Inland Revenue, VAT Office.

If you need more information please contact the Department of Customs and Inland Revenue, VAT Office on telephone **(678) 24573** or fax number - **(678) 24574**.

This booklet was first printed in May 1998 and reviewed in June 2005. Any changes that take place after June 2005 will not be reflected in this booklet.

VAT is a tax on the consumption of most goods and services in Vanuatu. It is generally charged and accounted for at a rate of 12.5%.

Anyone who carries on a taxable activity, or who intends to do so from a definite date, may register for VAT.

A sole trader, company, partnership, cooperative, non-profit body or any other organisation registered for VAT is called a “registered person.”

Registered persons must charge and collect VAT from their customers on behalf of the Government, file returns, and account for VAT to the Department of Customs and Inland Revenue, VAT Office.

TAXABLE ACTIVITIES

A taxable activity is any activity carried on continuously or regularly. It must supply, or intend to supply, goods or services to someone else for a consideration (money, compensation, reward or barter) but not necessarily for profit.

A taxable activity includes any activity carried on by a business, trade, manufacturer, professional, association, or club.

Taxable activities **do not** include:

- working for salary or wages
- being a company director
- hobbies or any private recreational pursuit
- private transactions such as the occasional sale of household or domestic items
- making exempt supplies (see below)

TAXABLE SUPPLIES

Taxable supplies are goods and services supplied in the course of conducting a taxable activity. Suppliers charge VAT by adding it to the price of their goods and services.

EXEMPT SUPPLIES

VAT cannot be charged on some goods and services. These are called exempt supplies.

The most common exempt supplies are:

- the sale of donated goods and services by a non-profit body
- financial services
- educational institutions (including school fees)

If you would like to know more about exempt supplies, contact the Department of Customs and Inland Revenue, VAT Office.

CALCULATING TURNOVER

To work out whether you are obliged to register for VAT, you need to calculate your turnover.

Turnover is the total value of taxable supplies made, excluding VAT. In a normal business it will be the total value of your sales and income. It will also include the value of any grants or subsidies you receive or barter transactions you make.

You calculate turnover on a continuing basis. You need to look at two 12 month periods - the past 12 months and the next 12 months.

WHO MUST REGISTER FOR VAT?

If you are conducting a taxable activity in Vanuatu you must register with Department of Customs and Inland Revenue, VAT Office if either of the following applies to you:

- Your turnover for this month and the last 11 months has exceeded VT 4 Million
- Your turnover for this month and the next 11 months is expected to exceed VT 4 Million.

Your monthly turnover is a useful indicator of whether your turnover is likely to exceed VT 4 Million. If your turnover reaches VT 333,000 per month and you expect to maintain that level all year, you will need to register straight away.

Example

Turnover for the twelve months ending 31 December 2003 – VT 3.5 million
Not required to register

Expected turnover to 31 December 2004 – VT 3.8 million
Not required to register

During March 2005 you get new contracts.

Expected turnover 1 April 2005 to 31 March 2006 – VT 4.5 million
Required to register within 21 days

You are not obliged to register with the VAT Office if either of the following apply to you:

- Your turnover has exceeded VT 4 Million in the last 12 months but you can establish that in the next 12 months your supplies will drop below this level.
- Your supplies have exceeded VT 4 Million because of activities connected with the scaling down or ceasing of your business, or the replacement of any plant or capital asset.

If you are required to register for VAT, you must apply within 21 days of becoming liable. It is an offence for failing to register for VAT when required and penalties are imposed on those who fail to register.

If you are not registered, you must consider your turnover position at the beginning of each month.

If your turnover reaches VT 333,000 per month, and you expect to maintain that level all year, you will need to register.

VOLUNTARY REGISTRATION

You do not need to register for VAT if your taxable activity has an annual turnover of less than VT 4 Million, but you can if you want to. You may be required to provide more information such as an income projection plan before you can be registered.

• Advantages of voluntary registration

- If you purchase goods and services from a registered person, you will be charged VAT and you will be able to claim this back. If you are not registered, you cannot claim the VAT charged.
- You can also claim VAT if you purchase secondhand goods from someone who is not registered and you use them in your activity.
- It helps you keep better records, since completing monthly returns keeps your records up-to-date and accurate.
- VAT paid by an individual on behalf of a company before it is established can be claimed back by the company once it is incorporated.

• Disadvantages of voluntary registration

- You have to account for VAT on all of your taxable supplies, including grants and subsidies.
- Complying with VAT requirements takes time. You cannot claim any VAT paid on expenses relating to exempt supplies. This is a disadvantage if most of your supplies are exempt supplies.
- When you stop your registration you have to pay for VAT on any business assets that you keep for private use. This also applies to assets bought before 1 August 1998.

PART TWO - PAPERWORK

ACCOUNTING FOR VAT

The way you account for VAT is called your accounting basis. You choose one of these ways of accounting for VAT.

- Payments basis
- Invoice basis

There is an option on the VAT Registration form where you can choose the accounting basis that best suits you.

• **Payments (or cash) basis**

On the payments basis you generally account for VAT in the taxable period which you make or receive payment.

Example of the payments basis

Kalo Davidson sells paper supplies to Folders and Files on 1 August 2004, and issues a tax invoice on the same day. Folders and Files makes a payment on 4 September 2004. Kalo uses the payments basis, so he accounts for the VAT on the sale in the taxable period covering 4 September 2004. Folders and files uses the invoice basis, so they account for VAT in the period covering 1 August 2004.

• **Invoice (or accruals) basis**

The invoice basis is sometimes called the accruals basis.

On the invoice basis you must generally account for VAT in the earlier taxable period in which you:

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

Example of the invoice basis

Rose Shem sells coffee machines to Coffee Culture on 1 September 2004 and issues a tax invoice on the same day. Coffee Culture makes payment on 4 October 2004. Both Rose and Coffee Culture account for VAT each month on the invoice basis. They both account for VAT in the period covering 1 September 2004.

TAXABLE PERIODS

A taxable period is the period covered by a VAT return. You will either have a monthly or three monthly (quarterly) return period. You will be required to file monthly returns if your annual turnover is more than or is expected to be more than VT 8 million. However, even if your turnover is less than this amount, you can still choose to file a monthly return.

CLAIMING BACK VAT

To claim the VAT you have paid on an expense for your activity, you need to complete a VAT return.

However, to include the amount in your return, you must in most circumstances hold a tax invoice for the supply. The times you do not need a tax invoice to claim VAT are explained fully in the VAT Guide.

TAX INVOICES

A tax invoice for VAT is the legal document which shows the VAT for a transaction. You must hold a tax invoice to claim a VAT credit for a supply of more than VT 5,000 (including VAT). Tax invoices

must show certain information, which is also fully explained in the VAT Guide. You must still hold evidence of payment for supplies less than VT 5000.

DUE DATES FOR FILING VAT RETURNS

When you register for VAT we will send you a book of VAT returns.

The due date for filing the return and making payment is the 27th day of the month following the end of your taxable period. Your return will be due on the next working day after a weekend or public holiday if the 27th of the month falls on a weekend or public holiday.

The due date for filing the return for the taxable period ending 30 November is due on the 5th day of January of the following year. Your return will be due on the next working day after a weekend or public holiday if the 5th of January falls on a weekend or public holiday.

WHAT A REGISTERED PERSON MUST DO

VAT registered persons must meet certain requirements:

- Keep adequate records. If you want to keep your records outside Vanuatu, you must apply to the VAT Office in writing for approval to do so.
- Account for VAT on taxable supplies made and received.
- Complete VAT returns and pay tax owing by the due date.
- Supply tax invoices to other registered persons within 28 days of being asked to do so.
- Tell the VAT office about any changes, such as a change of address and taxable activity.
- Notify the VAT Office within 21 days of ceasing all taxable activities.

Failing to meet these obligations could result in additional tax and/or penalties being imposed.

COMPLETING THE VAT REGISTRATION FORM

If you are required to register, or wish to apply for voluntary registration, fill in the Application for Registration (CT 201) which is available from the VAT Office.

Send the application to the Department of Customs and Inland Revenue, VAT Office at the following address:

*Department of Customs and Inland Revenue
VAT Office
Private Mail Bag 9012
Port Vila
Vanuatu
Tel 24573
Fax: 24574*

WHAT HAPPENS NEXT?

Once we have checked the details on the registration form, we will send you a VAT Guide booklet (which is a general guide to working with VAT) and a notification of registration. This will show you:

- CT number
- date of registration
- date your first return is due.

We will send you a book of VAT returns when you register for VAT. You need to complete them by the due date.

If you need more information before deciding whether to register, please contact the Department of Customs and Inland Revenue, VAT Office.

You may prefer to consult a business advisor, accountant or other tax practitioner.

PART THREE – FURTHER ASSISTANCE/INFORMATION

We are happy to come and visit your business to provide information about:

- what records to keep
- how to complete VAT returns
- when to file returns and make payments

If you need an officer to visit or to attend a meeting, Tick yes to Question 17 on the Application for VAT Registration form, which asks if you would like someone from the VAT Office to give you advice on Value Added Tax. You may contact the Department of Customs and Inland Revenue, VAT Office to find out more about this service, or to make an appointment.

The Value Added Tax Act No.12 of 1998 is available from the VAT Office and will cost you 1,000 vatu.