

## **10 IMPORTANT VAT PRINCIPLES**

- 1. A business' annual gross TAXABLE income determines the business' eligibility to register for VAT. Only a VAT registered business is authorized to charge and collect VAT.**
- 2. Businesses collect VAT on behalf of the State – please make sure that you pay it over on time, otherwise penalties and interest will be charged. A Business is required to file monthly returns by the 15<sup>th</sup> day of each month following the tax period to which it relates. Payment is also due at this time. If you are unable to make payment at this time you are urged to contact the Inland Revenue Department (IRD) to request an extension.  
VAT is charged on supplies made or sales to customers (output tax) less VAT paid to your suppliers (input tax) = the amount of VAT payable/refundable.**
- 3. All prices charged, advertised or quoted by a registered business must include VAT at the applicable rate. (17% for standard rated supplies).**
- 4. All invoices and receipts must clearly display the total amount of VAT paid.**
- 5. You need a valid tax invoice with your VAT number indicated on it as documentary proof of any input tax claims. If you are unable to produce a valid tax invoice containing the required information, your deduction would be denied by auditors from the IRD.**
- 6. Goods exported to clients in an export country are charged with VAT at 0%. However, if delivery takes place in the Federation, you must charge VAT at 17% to your customer.**
- 7. You may not claim any input tax on goods or services acquired to make exempt supplies or for private or employee use or any other non-taxable purposes.  
  
Also, as a general rule, input tax may not be claimed where the expense incurred is for the acquisition or maintenance of a passenger vehicle, entertainment, or for any membership fees or subscriptions paid on behalf of the business, even if used in making taxable supplies.**
- 8. You are required to advise the IRD within 21 days of any changes in your registration particulars, including any change in your authorized representative, business address, banking details, trading name, or if you cease trading.**
- 9. If you have underpaid VAT as a result of a mistake in calculating your VAT payable for a tax period, you must apply to the Comptroller of Inland Revenue to make an addition or alteration to that VAT Return, rather than making any adjustments to subsequent VAT returns or leaving it for the IRD auditors to detect.**
- 10. Report fraudulent activities to IRD by calling 467-1931/1934 or 469-5521. You may also report an incident anonymously by emailing [info@sknvat.com](mailto:info@sknvat.com).**