

Penalty for Filing an Intentional Inaccurate VAT Return

The penalty is calculated as 25% of the tax unpaid, understated, over claimed or under-refunded, as a result of the intentional inaccuracy.

You will also have to pay the correct VAT due and any applicable interest, in addition to the penalty.

Reduction of Penalties

IRD may reduce, suspend or cancel the 25% for an inaccurate VAT Return, if you:

- report the inaccuracies to us as soon as it is discovered;
- explain as much as you can about any inaccuracies;
- help us to work out what extra tax is due and
- give us immediate access to your records to check your figures.

If a penalty is a result of a 'careless' error, IRD may sometimes suspend the penalty. If IRD suspends a penalty, it will impose certain conditions that will limit those chances of you repeating the error. If it is not possible for you to agree on these conditions, the penalty would not be suspended. If you meet all of the suspension conditions, IRD will cancel the penalty.

IRD **will not** suspend a penalty that comes from "deliberate or intentional conduct" and negligence on the part of the taxpayer.

Contact Information

St. Kitts

The Tax Reform Unit
3rd Floor, E. C. Daniel Building
Cayon Street, Basseterre
Tel: +1-869-467-1931

Nevis

Inland Revenue Department
Main Street, Charlestown
Tel: +1-869-469-5521 ext.2221

Email: info@sknvat.com
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This leaflet is part of our new series of leaflets, to explain various aspects of this new tax system.

Each leaflet will cover one topic.

Other leaflets will be published over the next few months.

Filing VAT Returns



VAT

A simpler

more

efficient tax

for

St. Kitts & Nevis

Introduction

The purpose of this leaflet, is to provide taxpayers with important information about filing VAT returns.

Persons eligible for filing VAT Returns

All registered persons/businesses are required by law to file monthly VAT returns. You may appoint a representative to deal with the Inland Revenue Department (IRD) on your behalf, concerning all your VAT affairs. Tax advisers, accountants, bookkeepers and solicitors often fulfill this role.

If you want an accountant to act on your behalf to deal with VAT, you must inform IRD in writing. If you already use an accountant or tax adviser to deal with IRD on other matters such as Corporate Income Tax, you can use the same accountant to deal with your VAT affairs - but you still must notify IRD.

Your authorized accountant can act on your behalf, to submit your VAT Returns and deal with IRD on other VAT matters. However, even if you use an accountant you are still legally responsible for submitting your returns and liable for submitting any VAT payable, on time.

Submission of VAT Returns

VAT Returns must be filed by the 15th day of every month, following the tax period to which they relate, whether or not tax is payable for that period. If the 15th falls on a weekend or public holiday, then the deadline is extended to the following working day. Any return received thereafter will be considered LATE and penalties will apply.

Penalties for Filing Late Returns and Payments

The following penalties would be applied in the event of late filing and payment:

- \$100 per month or part thereof for late filing
- 10% of the tax due for late payment and
- 1.25% interest charges per month or part thereof for the period during which the tax remains unpaid.

Failing to pay your VAT on time is a very serious matter - it's not just a question of being charged interest. You could face additional financial penalties, have your name published in local newspapers for non-compliance, have your income garnished, result in the forced closure of your business, have you barred from leaving the federation or have court action taken against you that could lead to further penalties and imprisonment.

Extension for Filing

VAT registrants who wish to have an extension to file, should write to the Inland Revenue Department before the deadline for filing and request permission to file their return late, stating the reason for their request. If granted, the late filing penalty will be waived but the late payment penalty and interest charges would still be levied. Registrants may consider paying a fraction of the amount that is due since the late payment penalty and interest would only be calculated on the outstanding balance.

Failure to Submit VAT Returns

If you do not submit a VAT Return at all, the Inland Revenue Department (IRD) will conduct an audit to assess your tax liability. This is known as an assessment. If after an assessment is presented to you, and you still don't file the correct return and pay the tax as determined in the assessment, IRD will commence its collection and enforcement actions.

Submission of an Incorrect Return

If you have filed a VAT Return with an error, you should contact the IRD immediately.

You should also apply in writing as quickly as possible to the IRD, for permission to make an alteration or addition to this return. You are allowed to make an alteration up to 3 years after the tax period to which the return applied.

Your application should specify in detail the following:

- the reasons or circumstances that gave rise to the alteration or addition,
- the amount of the error and
- the overall tax unpaid, understated or refundable.

People do make mistakes, the IRD does not demand perfection, but we expect clarification.