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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.

These notes are for guidance only.



TRANSITIONAL PROVISIONS



**A Simpler
and More
Efficient Tax
for
St. Kitts & Nevis**

INTRODUCTION

This leaflet focuses on the Transitional provisions of the VAT Act.

WHY ARE TRANSITIONAL PROVISIONS NEEDED?

Transitional provisions are needed to facilitate the change from the repealed taxes to VAT. They provide the rules to determine whether a supply, acquisition, or import takes place before or after VAT commences and whether VAT should be charged.

WHAT ARE SOME OF THESE PROVISIONS?

1. Transitional Consumption Tax Rate

All goods imported into the country and presently attracting a consumption tax rate higher than **17%** (eg. 22.5%) will attract a lower consumption tax rate of only **17%** for the months of September and October. However, goods such as alcohol, tobacco, some aerated beverages, and water are not included under this special arrangement.

2. Transitional Bonded Warehouse Facility

Commencing October 1, 2010, all business imports during that month will be relieved of consumption tax at the point of entry. Thereafter, businesses will be required to declare the tax regime under which the imports were sold, and to pay the requisite tax (VAT or Consumption Tax) accordingly.

3. Transitional Provision for Registration

Any person who was registered for a repealed tax (Consumption Tax and Traders Tax) shall apply for VAT

registration not less than 30 days before the coming into force of the VAT Act. If the Comptroller is satisfied that they are not required to register on the grounds that they will not meet the threshold, he may deny their registration.

4. Transitional Provisions for Contracts

If a contract is concluded before the coming in force of the VAT Act, and no provision is made for VAT:

- a. The supplier can charge VAT on taxable supplies made after the effective date.
- b. The law supports the supplier's entitlement to recover such tax from the recipient by legal process.

If the contract is concluded after the coming into force of the VAT Act, and make no provision relating to VAT:

- a. The contract price is deemed to include VAT and
- b. The supplier must account for the VAT due

5. Special Transitional Timing Rules

If goods are delivered, or services rendered after the implementation of VAT and an advance payment was received, or invoice issued up to nine months before the implementation of VAT, then:

For the purposes of determining the time of supply or eligibility for input tax deduction, the payment is deemed to have been made or the invoice issued on the date of the implementation of VAT.

6. Goods and Services Subjected to Repealed Taxes

If goods and services are subjected to the repealed taxes and were supplied or rendered before the date the VAT Act came into force; and if the payment was made within four months of the effective date then VAT is not chargeable.

7. Continuous Supply of Goods and Services

For a continuous supply of goods or services subjected to repealed taxes:

- a. VAT will be charged on payment received for goods and services supplied after the effective date
- b. VAT will be charged on the goods and services supplied before the effective date if payment was made more than four months after the effective date

8. Construction Sector and Transitional rules

Construction work which is carried out under a written contract and executed before the implementation of VAT and where the property is only made available to the recipient after the effective date, VAT become chargeable:

- a. On work carried out after that date
- b. As long as the work which is performed prior to that date has been valued by the Comptroller
- c. Has been notified to him before the end of the first tax period