Your Rights and Obligations

Record Keeping

You must keep all records used in your business. This includes a record of every bet placed, every prize or winning paid out, every drink given for free, the amount of any float and records of all monies cleared from your machines. You are required to keep these records for six years.

Filing Returns and Paying VAT

You must file a VAT Return and pay the tax due each month. You must submit your return and payment by the 15th of the month following the month in which the gaming revenue was collected. For example, the return and payment for August 2011 are due by 15th September 2011.

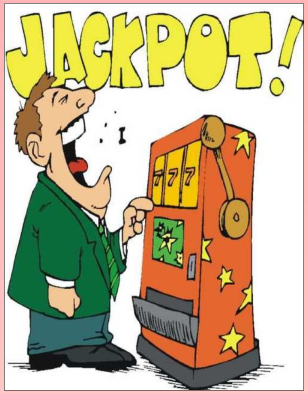
An IRD issued Assessment

If you disagree with an Assessment we made, you may file an objection in writing to the Comptroller within thirty calendar days of the Notice of the Assessment. You may be represented by Counsel or an Accountant. We will make every effort to resolve the matter with you.

Confidentiality

Meeting your tax obligation means giving us accurate information so we can properly assess your liabilities and entitlements under the Acts we administer. Fees and penalties can be imposed if you don't.

You have a right to privacy, secrecy and confidentiality. Your information is important to us. At the Inland Revenue Department, all officers are bound by an Oath of Secrecy to keep your information private and confidential. Any divulgence of your information could result in prosecution of that officer.



We are here to listen, inform and assist you. Should you require more information, please do not hesitate to contact us.

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: +1-869-469-5521ext.2221

Email: info@sknvat.com
Website: www.sknvat.com

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.

Value Added Tax and The Game of Chance

VALUE ADDED TAX
ST. KITTS AND NEVIS

VAT

A simpler more efficient tax for St. Kitts & Nevis

Basic Rules Governing the Game Of Chance

INTRODUCTION

The purpose of this leaflet is to provide taxpayers with important information regarding the VAT treatment, with respect to gaming machines.

WHAT IS A GAME OF CHANCE?

A game of chance includes the playing of a table game or gaming machine. A gaming machine is any machine or device that is adapted, designed or constructed for use in gambling.
The placing of a bet by a person with another person operating a game of chance is a supply of services by the person operating the game of chance, to the first mentioned person. A game of chance is a taxable activity and is subject to tax at the standard rate of 17%. The acceptance of the game of chance is a taxable supply. The amount paid for placing the bet is deemed to be the tax inclusive value of the bet.

SUPPLY RULES

Time of Supply

In a game of chance, the time of supply occurs when tokens are purchased or credit is sent to the machines. Where coins are placed in the machines, the time of supply occurs when the operator removes the coins from that machine. If the operator uses a float, the amount removed from the machine must not include any part of that float. The float is an amount placed in the machines by the operator to pay winnings. This may be needed as there might be insufficient losing bets to pay winnings. Floats must be recorded and indicated as such. If the operator changes the amount of the float, it must be recorded.

Value of Supply

The general rule for machines with respect to a game of chance is that the taxable value is the amount of money taken from the machine by the operator less the amount relating to the tax fraction. Where the machine is operated by token or credit the amount paid by the wager is tax inclusive. The value of the supply shall be the amount received for the placing of the bet, reduced by the amount equal to the tax fraction and multiplied by the amount received with respect to the bet.
For example, Leah purchased tokens for $23.40. The value of the tokens is $20.00 and is computed as follows:

Total paid by Leah	$23.40
Less Tax Fraction ($23.40*17/117)	$ 3.40
Equals The taxable value	$20.00

Prizes

Prizes from a game of chance can be in the form of money or gambling chips, that may be redeemed for money. In calculating the VAT amount, monetary prizes whether paid or unpaid, must be declared in the tax period when the liability incurred.

HOW IS VAT CALCULATED?

Output Tax

Output tax is computed by multiplying the amount received for the placing of the bet by the tax fraction. In the previous example, the output tax was calculated as $3.40 ($23.40 *17/117).

Input tax

In general, the amount of input tax claimed should be equal to the tax fraction of the winnings or prizes paid out. Where the gaming machine freely accepts and pays out coins without the operator's involvement, there will be no input tax credit in respect to the amount paid out as winnings.

Calculating the Tax Payable

Eg1 ***(Where amount collected exceeds amount paid out)***

Big Time Gaming received $400,000 from the sale of gaming tokens. For the taxable period, it paid out $150,000 in winnings and prizes. It also incurred additional input tax amounting to $25,000.

The amount of tax payable is:
Output tax = $400,000*17/117 = $58,119.66
Input tax = $150,000*17/117 = $21,794.87 + 25,000 = $46,794.87
Tax payable = $58,119.66 – $46,794.87 = *$11,324.79*

Eg2 ***(Where amount paid out exceeds amount collected)***

A loss occurs where the operator paid out more for winnings than the amount collected in the taxable period. Where a loss causes the taxpayer to be in a credit position, the excess credit must be carried forward for four consecutive tax periods before the amount can be refunded.

Big Time Gaming received $400,000 from the sale of gaming tokens as in Eg1. However, for the taxable period, it paid out $750,000 in winnings and prizes.

The amount of the tax payable is:
Output tax = $400,000*17/117 = $58,119.66
Input tax = $750,000*17/117 = $108,974.36
Tax payable = $58,119.66 - $108,974.36 = *($50,854.70)*

NB: The taxpayer is in a credit position for this tax period. The excess credit of $50,854.70 must be carried forward to the subsequent tax periods and claimed as input tax credit. After four tax periods, the taxpayer may apply for a refund.