

GUIDANCE NOTE

P&F No. 007/01/2022

Value Added Tax Act, Cap. 87

VAT-free Day: The Temporary Zero-Rate of VAT for Eligible Goods

PURPOSE OF THE GUIDANCE NOTE:

This Guidance Note explains the changes in the Value Added Tax (“VAT”) treatment of certain supplies on Wednesday, December 21, 2022.

The Note, therefore, provides a general outline of goods that will ascribe a VAT rate of zero per cent and indicates the filing and reporting obligations for VAT registrants that may be affected by the temporary change.

WHO IT APPLIES TO:

The temporary change in the VAT treatment of certain goods applies to:

- VAT-registered companies or businesses that supply eligible goods, and
- consumers.

AFFECTED SUPPLIES:

On the VAT-free day, only goods eligible are affected.

Eligible goods include the supply of goods on hire purchase.

The zero-rating of such goods is not absolute, and, therefore companies and businesses **MUST** comply with the following:

- Eligible goods must be available for sale and immediate issuance, or scheduled for delivery to the customer no later than **Friday, December 23, 2022.**

The following goods are **not** eligible:

- orders for goods that are not in stock;
- goods on consignment or from “wholesale distribution centres”;
- the supply of motor vehicles, gasoline, LPG and diesel, guns, ammunition, cigarettes, and alcoholic beverages; and
- the supply of accommodation.

This temporary zero rating does not apply to the supply of services not ordinarily zero-rated. Mobile phone top-ups and plans are classified as services.

A reminder that prices displayed, marked or quoted are the VAT inclusive prices. The following example illustrates how to calculate the price before VAT when starting with a VAT inclusive price:

Selling price of TV	= \$1,000.00
VAT at 17.5%	= \$175.00
Total selling price on shelf	= \$1,175.00

Price consumer will pay $\$1,175.00/1.175 = \$1,000.00$.

FILING AND REPORTING OBLIGATIONS

The obligation to file a VAT Return is not affected by the temporary change. As such, VAT registrants will file their VAT Return in accordance with *Section 45 of the Value Added Tax Act, Cap. 87*.

When filing your VAT Return, the ensuing guidelines **MUST** be followed:

1. to record the zero-rated supplies from Wednesday, December 21, 2022, the VAT registrant will enter the items on their VAT Return form as zero-rated sales at line 105.
2. the VAT registrant will provide the sales data (including receipts) specifically for the VAT-Free day.

RECOVERABILITY OF INPUT TAX

VAT registrants will be permitted to recover input tax paid in respect of the said goods.

Inquiries concerning any taxation matters in this guidance note should be directed to: Barbados Revenue Authority, Contact Centre, via telephone at **429-3829** or **429-ETAX**, or via email at bramail@bra.gov.bb.

**Policy and Forecasting
Barbados Revenue Authority
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