

This leaflet is part of our new series of leaflets, written in plain language, to explain various aspects of the tax system.

Each leaflet covers just one topic. Other leaflets you may find useful include:

IR102 Should I be registered for VAT?  
IR103 How to register for VAT  
IR104 Basic supply rules  
IR105 VAT Documents  
IR106. Keeping VAT Records  
IR 107 Reporting the VAT  
IR108 Penalties & Offences

You can get further help, copies of forms and information leaflets from the Inland Revenue Division, Financial Complex, Carenage, St. George's

**For further information contact our Division at:**

**Tel:** (473) 440-3556, 435-6945/46, 435-9084

**Hotline:** 435-9085

**Fax:** 435-9086/4406621

**Email:** [vat@gov.gd](mailto:vat@gov.gd)

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**Website:** [www.irdgrenada.com](http://www.irdgrenada.com)

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# What is VAT?

**Inland Revenue Division  
Ministry of Finance  
Financial Complex Bldg  
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St. George's  
Grenada**

These notes are for guidance only. They reflect the law and the tax position at the time of publication. They do not replace the legislation or affect your rights of appeal about your own tax position

If in doubt, consult the Inland Revenue Division.

# Introduction

The Value Added Tax, or VAT as it is usually called, is a tax on the value of imports and the value added to goods and services. The tax is imposed when the goods or services are transferred to a consumer; whether to another business or to a member of the general public.



## What is added value?

As goods and services progress through the production and delivery process extra costs are incurred. These costs include such things as, employee wages, transport, storage and other overheads, plus mark up.

Such expenses or charges represent the value added to the goods or services.



## How is the tax charged?

The Tax is inclusive in the price of the goods or services.

Therefore the tax is paid by the consumer.

## When is the Tax charged?

VAT is charged when goods are imported or sold or when services are provided.

## Can anyone charge VAT?

No.

Only those businesses that are registered for VAT with the Inland Revenue Division .

## Which businesses should register?

Businesses with **annual taxable** supplies in excess of \$120,000.

Please ask for leaflet IR102 which deals with this question and sets out the turnover threshold for registration.

## What are the taxes that were repealed?

The Value Added Tax (VAT) replaced the General Consumption Tax, Airline Ticket Tax and Motor Vehicle Purchase Tax.

## Are there any benefits from changing to a VAT system?

Yes.

**Most businesses** that are registered for VAT (known as registered persons) will be able to claim back for the VAT they have paid.

Under the previous system, exports were unable to successfully compete in the global market. This was because the amount of tax paid on materials used to produce goods for export was not considered for refund.

Under the present system, VAT would be zero-rated on **exports**.

The flow of taxes to the Government will be increased, since tax is collected and paid at each stage in the transfer of goods or the supply of services.

***VAT for nation building .***