

The onus is therefore on you as a consumer to be informed regarding matters such as these. Having done this, you will then be in a stronger position to make informed decisions on where to purchase the necessary goods and services you may require.

With the implementation of VAT, a system was introduced whereby VAT registered businesses are allowed to claim a refund for the VAT they have paid in operating their businesses. This deduction system eliminates the cascading effect that the taxes replaced by VAT had on prices. Thus consumers **should** see a fall in the prices of most goods. Conversely, those services that were not previously taxed may have increased in prices.

Accounting for VAT received

Government relies on registered businesses to collect the VAT from its customers and remit it to Inland Revenue Division. This is referred to as a “self-assessment system”. The VAT Act empowers the Comptroller of Inland Revenue Division to carry out audits of taxpayer records to ensure full compliance.



Tax fraud is theft from the people of Grenada. If you know a person who is not dealing with VAT (or other tax matters) honestly, you are asked to contact Inland Revenue Division.

What is good about VAT?

- Provides opportunity to pay less taxes by managing your consumption pattern
- Is fair—everyone pays
- Has a standard rate across the board
- Enhances Government’s ability to provide improved public services (health, infrastructure etc.)

This leaflet is designed as 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 Keeping records for VAT
- IR105 VAT invoices
- IR 107 Accounting for VAT

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Division

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VAT and the Consumer

IR 106



VAT Unit

Inland Revenue Division

Ministry of Finance

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Grenada

VAT and the Consumer

Introduction

As part of the program of the Government to simplify and rationalize the tax system in Grenada, the Value Added Tax (VAT) was introduced in Grenada on February 1st 2010.

The VAT replaced the General Consumption Tax, Airline Ticket Tax and Motor Vehicle Purchase Tax.

The essential purpose of introducing the tax was to have a tax system that is fairer, more effective and efficient, and easier to administer. The VAT has fulfilled these objectives in Grenada and more than 120 countries worldwide including: St. Vincent, Dominica, Barbados and Trinidad & Tobago.

This brochure is intended to provide consumers with the highlights of how the VAT system operates in Grenada.

What is VAT?

VAT is the acronym for Value Added Tax which is levied on all forms of consumer spending—both goods and services

The tax is computed on the value of imports and the Value Added (or mark-up) that one business charges another, or the final consumer, when a good or service is provided.

What is the rate of VAT?

VAT is charged at the rate of 15% on most goods and services other than hotel accommodation and dive operations which are charged at 10%. Some goods and services are also charged at the rate of 0%.

How VAT affects you?

- Price of some goods increased, decreased or remain the same

Prices of services, which are not exempt increased.

- Relief Measures:-
Partial Zero Rate on the following:
- Electricity

Who charges and collects the VAT?

Businesses with annual taxable supplies in excess of \$120,000 that are registered for VAT.

List of Zero-Rated Supplies

- **Wheat Flour**
- **Brown, white rice & broken rice imported in bulk for repackaging**
- **Milk** (Fresh milk, condensed, powder, evaporated)
- **Cane sugar**
- **Infant preparation** (milk-based)
- **Pipe-borne water supplied by NAWASA for residential purposes**
- **Fuel** (gasoline, diesel, cooking gas, kerosene)
- **Postage stamps**
- **A supply of textbooks as prescribed by the regulations**
- **A supply of electricity by GRENLEC provided for residential purposes, for the first 99kilowatt hours.**

It is important to note that not all businesses are registered for VAT. Those businesses that are **registered for VAT** must display their VAT Registration Certificate in a conspicuous place in their premises. If you are in doubt as to whether you should be paying **VAT**, you should verify that the vendor is registered for VAT and is

displaying his/her VAT certificate at the place of business. If this cannot be proven, you should refrain from paying the VAT and report the incident to the Inland Revenue Division.

NB: you must receive a sales receipt or VAT invoice, which would display the price of the goods and the VAT paid separately.



Is VAT added at check-out or is it included in the price on the shelf?

The VAT Act requires that prices quoted or advertised must always be VAT-inclusive. This means that the prices you see on the shelves or on the products or prices quoted for services is the price you are required to pay.

The impact of VAT on prices

One of the many concerns which came out of the consultations held with the general public on the VAT is the issue of price control. Some consumers feel the need for Government to control the prices of goods and services in order to ensure that they are not taken advantage of.

However, Grenada operates in a free-market economy and, in such economies, Government would not dictate to business owners what their prices should be, except in the case of price-controlled goods. Goods which are not subject to price controlled regulations the prices charged are dependant on a number of factors, one of which is the mark-up which includes the cost of any labour to further manufacture the goods and other overhead expenses to run the business.