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GUIDANCE NOTE

PPG No. 006/2021

Value Added Tax Act, Cap.

Updated

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 December 20, 2021.

The Note, therefore, provides a general outline on goods that will ascribe a VAT rate of zero per cent and indicates the filing and reporting obligations for companies and businesses 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, and 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 delivery to the customer on the day.

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;
- the supply of accommodation, as this category already attracts the low VAT rate of 7.5 per cent.

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

A reminder that price displayed, marked or quoted is the VAT inclusive price. 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 $\$1,175.00 - (\$1,175.00 \times 17.5/117.5) = \$1,000.00$.

FILING AND REPORTING OBLIGATIONS

The obligation to file a VAT Return is not affected by the temporary change. As such, companies or business 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 for December 20, 2021, the company or business will enter the items on their VAT Return form as zero-rated sales in line 105.
2. the company or business will have to provide sales data (including receipts) specifically for the VAT-Free day.

RECOVERABILITY OF INPUT TAX

Companies and businesses will be permitted to recover input tax paid in respect of the said goods.

Inquiries concerning any taxation matter in this guidance note should be directed to:

Barbados Revenue Authority, Contact Centre, 429-3829 or 429-ETAX, or by email to bramail@bra.gov.bb.

**Policy and Forecasting
Barbados Revenue Authority
December, 2021**