



## Vat Policy Corner

### **Policy 13-VAT and Tax-inclusive pricing**

**The following forms the guiding principle when advertising or quoting prices for goods and/or services that are subject to VAT at the standard rate of 16 %.**

Persons registered for Value Added Tax (VAT), must charge VAT on all goods and services at the standard rate of 16 % except where the good or service is exempt or zero-rated.

If the registered person fails to charge the tax in the price of the good or service, then the cost of the item will be considered to include VAT and the business person will have to account for the tax as if it was charged in the price of the item.

Section 90 (1) of the VAT Act states that:

“A price charged by a taxable person in respect of a taxable supply is deemed to include, for the purposes of this Act, the tax charged on the supply under section 9 (1) (a), whether or not the taxable person has included tax in such price.”

Further, according to Section 90 (2) and (3) of the VAT Act, where a registered person advertises or quotes a price for a good or service that is subject to 16 % VAT, the price is required to include the tax and the advertisement or quotation must state that VAT is included. The customer or consumer then makes a single payment.

However, the registered person may advertise or quote a price that excludes VAT, but, apart from the price of the good or service, the advertisement or quotation must also state the amount of tax to be charged on the supply and the final price when the tax is added. Moreover, the price inclusive of tax and the price exclusive of tax must be advertised or quoted with equal prominence or impact.

According to Section 90 (4) and subject to subsection (5), price tickets on goods supplied by a registered person need not state that the price includes tax if this is stated by way of a notice prominently displayed at the premises in which the taxable person carries on a taxable activity, including the places in such premises where payments are effected, that is, the cashier area.

Subsection (5) states that

“The Commissioner may, in the case of a taxable person or class of taxable person, approve any other method of displaying prices of goods or services by such persons.”

Consumers should not suffer a 'tax shock' when they get to the cash register or payment area. They should be made aware before hand what is the final price they will pay for the selected item.

The VAT Department will continue to make public its policy so as to clear any uncertainty or misunderstanding with regard to the Tax.

Persons who still have queries with respect to VAT are encouraged to write to the Commissioner, VAT and Excise Tax Department, 210 'E' Albert and Charlotte Streets, Bourda, for clarification.