



VAT Policy Corner

Policy 54 – VAT and Motor Vehicles (Revised)

The Guyana Revenue Authority continues to provide clarifications on various issues relating to Value Added Tax (VAT). This policy deals with the application of VAT on motor vehicles and serves as a revised version of Policy 27.

Schedule I, paragraph 2 (cc) of the VAT Act of 2005 provides for the zero-rating of ***an importation of motor vehicles that are at least four 4 years and older from the date of manufacture.***

The time of supply on the importation of motor vehicles is determined based on whether the vehicle is imported and warehoused or imported and not warehoused.

Section 21 of the VAT Act states that an ***import*** of goods or services ***is an exempt import, if*** the import would be a ***zero-rated supply*** under section 17 or ***an exempt supply*** under section 18 if it were a supply of goods or services in Guyana.

By virtue of the above, ***motor vehicles four 4 years and older from the date of manufacture*** which are imported and not warehoused will attract VAT at zero percent on importation.

Conversely, motor vehicles ***that are at least four 4 years and older from the date of manufacture*** which are imported and warehoused, are deemed to be ***imported*** when these are ex-warehoused (removed from the warehouse). Accordingly, Auto Dealers will charge VAT at the rate of zero percent when supplies are made.

However, motor vehicles ***that are at least four 4 years and older from the date of manufacture*** which were already ex-warehoused and are being resold, will attract VAT at the standard rate of sixteen percent. Thus, registered businesses that purchase damaged or second hand vehicles locally for resale must charge VAT at the standard rate of sixteen percent on the transactions. Also, Auto Dealers, registered insurance companies, registered banks etc. must charge VAT at the standard rate of sixteen percent on vehicles which are repossessed and are being resold.

Moreover, motor vehicles which are imported that *are less than four years* old from the date of manufacture will attract VAT at the standard rate of sixteen percent (16%) whether these are *imported and warehoused* or *imported and not warehoused*.

In addition, spare parts and the servicing for all motor vehicles attract VAT at the rate of sixteen percent (16%) when purchased from businesses that are registered to charge VAT.

Since zero-rating is a positive tax treatment, registered businesses which sell zero rated supplies are entitled to input tax credit paid on purchases related to the zero-rated supply.

Furthermore, registered businesses which are involved in the sale of mixed supplies, that is, exempt supplies and standard rated and/or zero rated supplies may file a claim *every month* to the Guyana Revenue Authority for a refund of the excess credits *attributable to the zero-rated supplies only if the zero rated items account for at least fifty percent of the amount of the taxable supplies*.

Therefore, if 50% or more of the taxable supplies of a registered person are taxed at 0%, that person can claim a refund of the credits attributable to the zero rated supplies each month.

On the other hand, if the input tax credit attributable to the zero rated items account for less than 50%, the excess credit which remains for a tax period, will be refunded after being carried forward and used as input tax creditable in six consecutive tax periods. However, the taxpayer must apply for the refund in the form and with the documentation specified in regulations.

If you require additional information or assistance on VAT, feel free to contact the Value- Added Tax and Excise Tax Department situated at 210 'E' Albert and Charlotte Streets or by the telephone numbers 227- 7567, 227-7672 or 227- 3696.