



VAT Policy Corner

Policy 6 – VAT and Capital Equipment

The following forms the guiding principle with respect to capital items:

Schedule 1, paragraph 2(aa) of the Value-Added Tax (VAT) Act-provides for the zero rating of the following:

“the first import, after the coming into operation of the VAT Act, of one of each large capital item. Such as a bulldozer, excavator, tractor, or similar heavy duty industrial machinery by a person who invests in these items, provided that on the day prior to the coming into operation of the VAT Act the import of the item by the person was subject to consumption tax at a rate of zero percent and that the import is not subject to an investment agreement, and further, provided the zero-rating of subsequent imports of these items are allowed under conditions and restrictions that may be prescribe by the Minister.”

However, while zero rated status is given to the first import of one of each large capital item, this does not mean each item on the first shipment, but rather one of each different type of item on the consignment.

Therefore if a shipment contains, three bulldozers, two excavators, then only one of each will be zero rated.

It should also be noted that where one of each item is imported on more than one shipment, then each new item will attract VAT at the zero rate. For example, if the first bulldozer comes in shipment 1 and the first tractor comes in shipment 2, then the zero rate will apply to both items.

However, zero rating is not automatic. In order for importers to obtain this benefit, they must make application to the Remissions Unit of the Guyana Revenue Authority (GRA).

Further, under paragraph 2(aa) of schedule 1 of the VAT Act subsequent imports of large capital items may be zero rated provided that the conditions and restrictions prescribed by the Minister are satisfied, which conditions and restrictions are that:

1. The equipment cannot be leased, sold or transfer to any other person within five (5) years from the date of issue of the Commissioner-General’s (CG) letter.
2. The importer is required to submit to the Remission Unit on an annual basis NIS and Income Tax Compliance for the next five years.

3. The importer must be registered for VAT and submit a copy of their VAT registration to the Remission Unit within three months from the date of issue of the CG letter.

Again, application for zero rating with regards to subsequent imports must be made to the Remission Unit of the GRA and a letter will be issued to allow for the zero rating.

Where dealers import the equipment, arrangements are in place for these to be warehoused, however, security for taxes being lodged must be in the form of a financial bond. It is only when the equipment is ex-warehoused that VAT will become due. In this instance zero rating for specific large capital items of equipment will be granted to the person using the equipment by way of CG letter.

Where a producer wishes to benefit from zero rating he/she has to make application to the Commissioner-General through the Remission Unit at the GRA, Secretariat, Lamaha Street.

Where an application is approved, the producer will be able to obtain the item free of VAT. This process is also applicable to producers who import their equipment directly.