

VAT INFORMATION SHEET

From 1 April 2014 VAT changes came into effect. This leaflet outlines those changes.

1. VAT Rate Change

The rate of VAT increases from 12.5% to 15%, which means that the prices of goods and services may increase.

It also means that for VAT registered persons the way they account for VAT will change. All invoices issued should reflect the new rate and monthly VAT returns should account for VAT at the new rate. To calculate the VAT component on any invoice and on your VAT return, you should use the multiplier 3/23, i.e., multiply by 3 and divide by 23. For example:

Total sales	\$5,000
VAT	\$ 652.17 ($\$5,000 \times 3/23$)

2. Registration

The thresholds for compulsory and voluntary registration have increased.

From 1 April 2014 the **compulsory** threshold increases from \$30,000 per year to \$40,000 per year. This means that if your monthly gross income exceeds \$3,333, you **must** register for VAT. If your income is below \$20,000 per year, the Treasurer may decline to accept your registration for VAT or you may need to deregister for VAT.

If your annual income is presently below \$40,000 per year, you now have the option to deregister from VAT. Should you wish to investigate this option further, please contact Revenue Management or your accountant to discuss the implications of deregistration.

3. Imported Services

Imported services provided to a VAT registered person may now be liable for VAT. If you are receiving imported services, you may be required to account for VAT on that service. The new reverse charge rule applies to a supply of imported services only when the registered person does not use the services solely for the purposes of making taxable supplies.

For example, if a financial institution acquires imported services for a consideration of \$10,000 to be used 50% for the purposes of making taxable supplies and 50% for the purposes of making exempt supplies, VAT will be payable on \$5,000.

For more information on this topic, contact Revenue Management.

4. Transitional Provisions

From 1 April 2014, all registered persons must account for VAT at 15%. For those persons accounting for VAT on a cash basis adjustments will need to be made to account for invoices issued and received prior to April, but payment is either made or received after 1 April at the old rate of 12.5%.

For more information, see the Transitional Provisions Information Sheet.