

Non-profit/Charities
&
VAT



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A Introduction

Many people have asked why VAT should apply to charitable organisations Non-Profit bodies clubs and associations, They argue that it is unfair because these organisations and clubs can provide a valuable service to the community and are usually non-profit making. However, in order to assess the fairness of the tax, it is necessary first to examine the principles on which VAT is based.

This booklet is designed to explain those principles and to assist club members and administrators of voluntary organisations in understanding VAT. More information on registration and accounting for VAT is available from the RMD.

What is a Non-Profit body?

For VAT purposes, a non-profit body is any society, association or organisation, (whether incorporated or not), that is NOT carried on for profit or gain of any member, and whose rules do not allow the distribution of money, or other property, to any of its members.

Most charitable organisations, sports clubs, service organisations, professional groups, churches, social clubs, school committees, P.T.A.s etc. are non-profit bodies.

What is a Charity?

A Charity is an organisation set up for the purpose of; Relief of poverty, Advancement of education or religion, Or any other matter beneficial to the community.

B The Value Added Tax

What is VAT?

VAT is a tax on spending. Individuals choose to spend their money in a variety of ways; some spend a great deal on consumer goods while others prefer to spend money on sport, a church, or perhaps on belonging to a charitable or non-profit organisation. VAT is designed to ensure that all forms of consumer spending are taxed evenly and fairly, and regardless of whether one type of spending is considered morally or socially more 'useful' than another. The aim of the Government's tax reform measures is to ensure that tax is collected as efficiently and fairly as possible. Appropriate distribution of the funds collected will then be determined quite separately by the Government's expenditure programme.

VAT is not a tax on the producers or suppliers of goods and services; they will simply collect the VAT on behalf of the Government. The tax will neither favour nor discriminate against suppliers of goods and services, regardless of their objectives or motives for supplying those

goods and services. It is **not** a tax on profits and therefore profit-making intentions do not come into consideration.

The tax will be collected at a single rate (12.5%) on virtually every sale of goods and services throughout the production and distribution chain. But in the case of most producers, distributors and sellers, VAT paid out on purchases relating to these sales can be claimed back.

It is only the end consumer, who buys the finished goods or services and does not resell them or process them further, who finally pays the tax, and cannot claim it back. Consumers will, however, be compensated for the effects of VAT by income tax cuts and the replacement of turnover tax with VAT. It should be remembered that VAT is a key feature in the Government's overall tax reform strategy, aimed at producing a fairer and more efficient tax system.

It is the Government's intention to have a taxation system which is first and foremost an efficient, secure and fair means of collecting tax, and which is neutral and uniform in its effect. It is not efficient to use the taxation system as a channel for administering relief to those in need. Relief should be delivered through the government departments and channels specifically set up for that purpose.

How VAT works

In effect VAT works in two steps:

- A person or an organisation that has registered for VAT purposes, eg. A club, pays 12.5% VAT on all the goods and services purchased for club use. But this VAT, is subsequently claimed back by the club as a credit - **therefore no VAT is borne by the club.**
- The club adds 12.5% VAT onto the price it charges for all goods and services it supplies, and pays this amount, (minus the VAT on purchases) to the RMD - **therefore the VAT is all charged to the buyers/recipients of the goods and services.**

Example: A rugby club made up of 10 teams is registered for VAT purposes. The club outfits its teams with uniforms from a sports shop for \$10,000 plus 12.5% VAT, which is \$1,250. This \$1,250 is the clubs VAT on purchases). The final price the club pays the sports shop is therefore \$11,250.

At the same time the club bills its 300 members for annual subscriptions of \$100 each plus 12.5% VAT, making the final subscription \$112.50 per member. When all are paid up, the club has received a total of \$33,750, including \$3,750 VAT). The club deducts from the \$3,750 VAT on sales/income collected, the \$1,250 VAT on purchases already paid to the sports shops, and sends only the balance, ie. \$2,500 to the RMD.

In practice the club would have had a number of other costs on which VAT will be paid. These include travel costs, equipment, postage, ie. Dues paid to parent bodies, clubroom rental, etc. As with the VAT on purchases paid on the uniforms, the club would also deduct the VAT paid on these costs from the VAT it collected on subscriptions, when calculating the amount payable to RMD.

The club treasurer would therefore add up all the VAT paid on these purchases and deduct this from the total VAT the club has charged and collected on subscriptions, hiring of facilities, sales, sponsorship receipts, etc (sales/income). The net difference is the amount the club must pay the RMD, or the refund due to the club. Where a club buys new equipment or has a lot of maintenance work done it could be in the position of receiving a VAT refund from the Government.

In practice the club does not have to wait until subscriptions are paid in before it claims a deduction for the VAT on purchases paid on the uniforms. The club can deduct all the VAT on purchases in the period during which the purchases are made.

Similarly, the sports shop which collected the \$1,250 VAT on the sale of the uniforms, will deduct from this its own VAT on purchases , ie. VAT paid out on purchases for shop use, before forwarding the balance to the RMD.

So it can be seen that all the VAT is passed on through this buying and selling chain, and only the final consumers, in this case the club members who pay the subscriptions actually pay the tax and cannot claim it back. Like all other private consumers, club administrators will, of course, bears the cost of VAT on all purchases made for private use.

C Registering for VAT

Assessing 'taxable' sales

In determining whether or not they must register for VAT, clubs, non-profit bodies, community organisations and professional associations will need first assess the nature of their sales, ie. Whether or not their sales are taxable. Most of these organisations are engaged in making 'taxable' sales, ie. They provide goods and/or services to club members or members of the community in return for fees, subscriptions or charges.

In the case of voluntary organisations and clubs, taxable supplies include sponsorship receipts, government grants, bar sales, magazine subscriptions, membership subscriptions including dues or levies received from member organisations, net proceeds of raffles, revenue raised through social, sporting or other events, fees charged to tourists or tour groups, hiring out of facilities and sales of goods such as handicrafts, souvenirs, emblems, T-shirts, etc. The effects of VAT on some of these activities are discussed in detail in Section E.

If sales such as these are made in the course of an activity that is carried on regularly or continuously, then the organisation is considered to be conducting a 'taxable' activity.

Hobbies, private recreational pursuits and occupation as an employee are not taxable activities.

Exemptions

Some types of sales are specifically exempt from VAT, ie. They are not taxable, and should therefore be excluded when an organisation is assessing the value of its taxable sales for registration purposes. If a sale is exempt no VAT is payable, VAT paid on purchases relating to those exempt sales can **not** be claimed back.

There are only two categories of exempt goods and services:

- Sales of donated goods and services by a non-profit body; and

- Financial services: these include the exchange of money or currency, issue of cheques, postal notes, provision of credit, life insurance contracts and superannuation schemes, underwriting and brokerage and arranging any of these, for example, arranging mortgages.

The types of exempt sales most likely to affect clubs are explained in detail in Section E.

An organisation which deals solely in exempt activities will in effect be treated as a final consumer, bearing the full cost of VAT on purchases.

Organisations making both exempt and taxable sales

- Organisations which make both exempt and taxable sales (eg. An opportunity shop, selling both donated and purchased goods) may claim VAT on purchases only for purchases relating **exclusively to their taxable sales.**
- Where a purchase relates **to the making of exempt sales** no VAT on purchases are allowed, however, a special deduction may be made for the proportion of total supplies that are made up of taxable supplies.
- If a purchase required for exempt purposes is subsequently used for taxable purposes, then a deduction can be made from the VAT on sales/income of 1/9th of the original cost of the item or its open market value, whichever is the lesser.

Where a body makes partially taxable and exempt supplies the full amount of VAT on purchases will not be deductible. This is because the VAT paid in making exempt supplies, such as selling donated goods and services is not deductible.

Example

A small shop sells both donated goods (exempt) and goods purchased for resale (taxable). It will be necessary to apportion the expenses of the shop (eg rent, power, etc) as both taxable and exempt supplies, supplies are being made-

provides goods to an overseas member, for example a magazine, the supply is zero-rated, ie. No VAT is charged. If the association provides services to an overseas member, this supply is also zero-rated, provided the member is not resident in the Cook Islands at the time the services are performed.

Income	
Sales of donated goods	3,500
Sales of purchased goods	<u>1,500</u>
Total	\$5,000
Expenditure	
Power	1,200*
Phone, postage	1,100*
Maintenance	1,250*
Purchases	<u>1,000</u>
Total	\$4,550

In this case, only the VAT paid on those expenses relating to the sale of purchased goods will be deductible. The method of apportionment would be:

$$A \times \frac{\text{taxable supplies}}{\text{total supplies}} = 3,550^* \times \frac{1,500}{5,000} = \$1,065$$

(where A is apportionable expenses)

If the shop chose to register, it would be liable to pay output tax of \$166.67 (1/9 of \$1,500) and would receive a credit for input tax of \$229.44 (1/9 of \$1,065 plus 1/9 of the \$1,000 purchases), and would therefore receive a refund of \$62.77.

Zero-rating

Although VAT will apply to virtually all sales at a rate of 12.5%, there are some transactions which will be zero-rated. This means VAT will be charged at a rate of 0%, ie. No VAT is charged on a sale, but VAT on purchases paid on related costs can still be claimed back.

The most common category which is zero-rated are exports of goods. Most clubs and voluntary organisations will not be involved in zero-rated activities.

However, some **professional associations** have overseas members for whom they will be providing goods and services. If that association

Who must register?

All organisations or individuals who conduct a taxable activity with taxable sales of more than \$30,000 a year must register with the RMD by 30 May 1997 and become a 'registered person'.

Organisations with annual sales under \$30,000

Any small scale organisations with sales of less than \$30,000 a year will have the option not to register with the RMD and will not be required to collect VAT. Those who do not register will be treated as final consumers. Small organisations in this situation will need to assess their overall operation and expected annual expenditure and income, and should bear in mind the following factors:

- Whether or not they register, organisations will be paying VAT on their purchases and expenses other than salaries and wages. If registered, an organisation can claim this back as VAT on purchases; if not, it will have to bear the additional cost.
- Small clubs and organisations will need to weigh up the cost of the extra administrative work involved in record keeping and completing VAT returns against any advantages gained by registering.
- An organisation planning major capital expenditure or a long term building or development programme would be paying out substantial amounts of VAT and would therefore need to consider registering in order to claim this back.
- If a large proportion of an organisations sales are made to other registered persons, it may be advantageous for the organisation to register.
- If registered, the organisation will be collecting 12.5% VAT on subscriptions and other charges, and paying this (minus VAT on purchases) to the RMD. If not registered, the organisation will probably in any case have to increase subscriptions and other charges, in order to meet the increased cost of purchases. Either way, ie. Whether

registered or not, the overall effect of VAT on the financial position of most small clubs and organisations would be roughly the same, unless a significant proportion of revenue is spent on salaries and wages.

- If salaries and wages (including honoraria) are a significant factor, it would probably be more advantageous not to register. This factor is illustrated in the following example:

Example:

'The Carvers' Association' has annual sales and purchases as follows:

	\$
Sales	
Subscriptions	12,000
Teaching fees	5,000
Kiln use fees	500
Coffee sales	20
Exhibition door sales	1,000
	\$18,520
Purchases/Expenses	
Equipment and materials	2,000
Cleaning and materials	200
Audit fees	300
Postage	90
Telephone	350
Catering	150
Fuel and oil	50
Insurance	120
Printing and stationery	2,000
Rent	2,000
Repairs and maintenance	800
Heat and light	300
Salaries and wages	10,000
	\$18,360

If not registered:

The Carvers' Association would pay VAT on all the purchases/expenses listed **except the salaries and wages**. This means it would pay \$1,045 in VAT (12.5% of \$18,360 less \$10,000), but it would not be able to claim a credit for this. But remember the Association already pays turnover tax on all its purchases of \$836 for which it cannot claim a credit (or 10% of \$18,360 less \$10,000) The Association would therefore need to increase subscriptions or other charges by \$209, in order to recover this extra cost. Where these increased charges are made to registered persons, those registered persons will not of course be able to claim VAT on purchases for them.

If registered:

- The VAT included in any charges to other registered persons can be claimed by those persons as VAT on purchases
- The Association would pay VAT on all purchases except salaries and wages, but it would claim a credit for this VAT (\$1,045)
- The Association would be required to account to the RMD for VAT collected on sales. To cover this, it would need to increase its selling prices by 12.5%, ie. \$2,315 (12.5% of \$18,520). This assumes that these sales are not subject to turnover tax - if they are, the increase would be much smaller.

Summary

Because the Associations annual turnover is less than \$30,000, it can choose whether or not to register. It would be best not to register, particularly in view of the significant salaries and wages content of its total purchases. If there were no salaries and wages it would still be best not to register, unless a significant portion of sales are to other registered persons.

Return Periods

Like other registered persons, clubs and other charitable organisations will be required to submit monthly VAT returns.

Accounting Bases

VAT can be accounted for on either the payments or invoice basis

Invoice basis

VAT is accounted for on the basis of sales and purchases invoiced.

Organisations would account for tax payable on both purchases and sales and the time of invoice or payment, whichever is earlier. A credit for VAT on **purchases** may be claimed as soon as an invoice is received for the relevant purchase even if payment for the purchase has not been made. Similarly VAT on **sales/income** is payable at the earlier of issuing an invoice (eg. A subscription notice) or receiving payment. Therefore even if payment has not

been received, tax is payable, based on the invoice.

Payments basis

VAT is accounted for when payments are made or received. This recognises bills actually paid and income actually received. A tax invoice is still required to support claims exceeding \$50.

D Calculating VAT payable on sales/income

Organisations which are registered will be liable to collect VAT on all their taxable sales or sources of revenue as outlined in Section C, 'Registering for VAT'. This means they will be liable for 1/9th of the total tax inclusive value of those sales. The figure of 1/9th is arrived at as follows:

Example: If a club subscription costs \$100, the VAT at 12.5% will be \$12.50, making the final tax-inclusive price \$112.50. The VAT content of the tax-inclusive price is therefore 1/9th. The easiest way of determining the tax content of

any tax-inclusive price is to divide the total by 9.

In practice, clubs and other organisations who are registered for VAT will need to adjust their subscriptions, charges, grant requirements etc, in order to ensure that they still receive the same price for the goods and services they sell, **plus** the VAT.

E Specific sources of revenue/sales

Donations

Donations of money, ie. Gifts of money are not subject to VAT. A donation is clearly distinguished from a grant in that it carries no conditions and is not given in return for goods, services or rights, for example, rights to membership of an organisation. Donations include bequests and donated cash prizes.

Some organisations may consider the possibility of avoiding VAT by eliminating subscriptions, and funding their operations instead by means of donations. However whether payment is a subscription or a donation is a matter of fact. For example, if a person attends a retreat organised by a church without contributing any money, then it is fair to conclude that any 'donations' made are truly donations. But if the person can only attend the retreat on the condition that a donation of \$20 is paid, then the 'donation is in fact a fee or subscription or charge. In other words the test is not whether the donor receives some benefit, but whether the benefit is received on the condition that a donation is made.

In the case of a sports club, for example, it is generally quite clear that the facilities cannot be used without some payment being made. Such a payment is therefore clearly a fee or subscription rather than a donation.

Organisations such as churches may be concerned that the amount they receive in donations at present will not be sufficient to meet their increased costs after VAT is introduced. It should be remembered, however, that churches already pay turnover tax on many items they use. VAT will replace turnover tax allowing the church to claim a credit on many of those items. Parishioners and others who support the churches with donations such as weekly pledges will also have more money in their pockets as a result of income tax cuts that will accompany the introduction of VAT.

Donated goods and services

The sale of donated goods and services by a non-profit body is exempt from VAT. For example, funds raised from a car boot sale or cake stall will not be taxed if the goods sold are donated. Similarly, funds are not taxable if they are raised, for example, by a club through a

washing cars or mowing lawns, where those services are performed by volunteers.

Stalls in markets

Sales in opportunity shops and similar retail outlets of donated goods, such as second-hand clothing and household items, are exempt from VAT, if the shops are run by non-profit bodies.

Where an opportunity shop sells both donated and purchased goods, special apportionment rules apply. These are detailed in Section C, under 'Organisations making both exempt and taxable sales'.

Provision of goods or services for a nominal fee

Many charitable organisations provide goods or services for a token fee. This includes accommodation, food, counselling and other goods and services provided in emergency hostels, refuges, missions, soup kitchens, some types of 'meals-on-wheels', etc. In such cases the fee or charge made is subject to VAT if the organisation is registered, even though the fee does not represent the market value of the goods and services provided.

Fees charged by churches

Any set fee charged for membership of a church or for provision of particular services such as weddings, funerals, baptisms, access to reading rooms etc, will be subject to VAT if the church is registered.

Sponsorship receipts

Commercial sponsorship of a club is regarded as a payment of goods or services (generally advertising) and is therefore subject to VAT if the club being sponsored is registered.

Income from investments

Income from investments is not payment for goods and services - therefore VAT does not apply.

Government

For the purposes of VAT a grant made to an organisation by the government will generally be regarded as payment for services performed by that organisation for its members, the community or a particular interest group. Many grants will therefore also be subject to VAT and registered recipients of grants will have to account to the RMD for 1/9th of their value. That means the government will have to increase the value of such grants if their value is to be maintained.

Other grants

Most funding grants made to registered welfare organisations by philanthropic trusts and other organisations will be regarded either as payments for goods or services (as above) and will therefore be subject to VAT, or as donations which will not be subject to VAT. The distinction will depend on the exact nature of the grant, the recipient and the circumstances in which it is given.

Organisations in doubt about the nature of the grants they receive should consult their nearest RMD office for guidelines.

Accommodation

Many charitable organisations and clubs own properties which may be used for rental accommodation. Rents or tariffs for such accommodation will be fully subject to VAT if the organisation is registered.

Raffles, housie and prize competition

Raffles and housie (or bingo) are subject to VAT, if the organiser is registered, however only the **net proceeds** are taxable. This means that all cash prizes (which are not subject to VAT) must be subtracted from total ticket takings and only the balance attracts VAT.

Example:

500 tickets are sold for a \$1 each in a raffle for a \$100 cash prize. The net proceeds are total ticket sales less cash prizes, ie. \$500 less \$100. VAT is payable on the balance, ie. 1/9th of \$400.

If the prizes are donated goods, VAT is payable on the total ticket sales. If the prizes are goods purchased by the raffle organiser, VAT is payable on the total ticket sales, but a tax credit can be claimed for VAT on the purchase of the prizes.

The person or body such as a club which organises a raffle or lottery is liable, if registered, to pay VAT when the first drawing occurs.

A club or organisation may act as an agent, selling tickets on behalf of a principal, for a commission or fee. In this case the club, if registered, must account for VAT on the commission and will therefore charge this VAT to the principal concerned.

VAT is payable on prize competitions and games of skill or chance, either at the time of first drawing or when the result is known.

Vouchers

Some clubs sell gift vouchers or vouchers for meals or drinks. How you account for VAT depends on the accounting basis you are on.

- **Invoice basis**

If the value is stated on the voucher VAT is payable only when the voucher is redeemed for goods or services. There is no VAT involved when a voucher is sold by a club. Thus the club should not include the cash from the sale of the voucher in with total sales, when working out the VAT on sales/income for that period.

When a voucher is redeemed it will be for goods whose price including VAT is equal to the value of the voucher. If clubs which are registered exchange goods for vouchers they should include the value of vouchers redeemed in with total sales for the purposes of calculating VAT on sales/income.

- **Payments basis**

If accounting for VAT on the payments basis, VAT is payable or claimable when payment is made for the voucher.

In some cases a club may buy vouchers at face value from a central agency. No VAT applies to that purchase. VAT will be payable, however, on

any commission or service fee charged by a central agency for operation of a voucher system.

F Agents

If a club or other organisation acts as agent, it must account for VAT only on **the commission earned** for agency work. For example, if an association which is registered sells carvings on behalf of individual carvers, but ownership of the carvings remain with the carvers, then the association accounts for the VAT only on the commission earned on sales.

In other words, the association is acting as an agent for the carvers. If the carver is a registered person, VAT will of course be charged on the sale, but it is the carver who must account for the VAT to the RMD.

Only the commission received need be taken into account by the association when calculating its turnover for the purposes of the \$30,000 threshold.

Collecting levies for parent bodies

If a club or other organisation **collects levies from members as an agent on behalf of a parent body**, it will collect those levies, **inclusive of VAT** and remit them to the parent bodies. In such cases where clubs are only acting as agents they do not account for the VAT on the levy, or include it in their VAT on sales/income calculation. This will be the responsibility of the parent body.

Dues or levies collected by a club as agent for remittance to an international parent body would not be subject to VAT. However, if the club received a fee or commission for collecting the dues, VAT would be payable on that fee or commission if the organisation is registered.

Arranging Travel

Some clubs, for example service clubs, arrange travel and accommodation for members. The club may purchase on behalf of a member a travel 'package' comprising travel tickets, accommodation at a special rate, and goods or services such as luggage or a blazer or other clothing bearing the club's emblem.

In such a case the club is acting as agent for the recipient, and any VAT paid on these goods and services, e.g. on the luggage or blazer, or any domestic travel component, will be passed on to the recipient. The club does not add further VAT to the items concerned, nor is it responsible for accounting for or paying the VAT involved. Assuming it is registered, the club will account for VAT only on any fee or commission it charges for providing the services as agent.

G Transitional arrangements

Credits for Turnover Tax (TOT)

If they are registered, clubs and charities which run shops, for example a sports equipment shop, or some type of retail operation, will be able to claim a full credit for turnover tax charged at 1% or 10% on trading stock and stationery, held at 30 June 1997. A credit will not be given for:

- p goods which are part of the organisation's capital assets; or
- p hired goods or goods available for hire; or
- p second-hand goods.

The claim may be made in **any one return** up to the period ended 30 September 1997.

The RMD must be satisfied that Turnover tax has been paid on goods for which a claim is made.

Some clubs running retail operations may have difficulty in determining how much turnover tax has been paid on some items. They should contact their wholesale suppliers who should be able to provide the necessary information.

Annual subscriptions during the transition period

are an example of such a contract. When a club or professional association membership subscription is sold for a period that will include the VAT introduction date, that **portion** of the subscription that applies to the period after 1 July 1997 will be subject to VAT. Clubs will have to account for VAT as 1/9th of the portion of subscriptions applicable from the period commencing 1 July 1997. They may therefore decide to increase subscriptions now, to take account of the VAT they will have to pay later.

Example:

A professional association sends out notices to members in December for annual subscriptions for the year 1 January 1997 to 31 December 1997. The annual subscription is normally \$120, but two quarters of that, ie. the subscription for the 6 month period from the 1 July 1997 to 31 December 1997, will be subject to VAT.

In order to allow for the VAT, the notice could be made out as follows:

From 1 January 1997 to 30 June 1997		60.00
From 1 July 1997 to 31 December 1997	60.00	
plus 12.5% VAT	7.50	
Total Subscriptions		67.50
		\$127.50

Alternatively, the association could send out additional invoices after 1 July 1997 notifying members of an increase. A third option would be for the association to absorb the cost of the VAT for the current year, and find other means of raising the funds to meet it.

H Equipment and records

Cash registers

Organisations running retail operations will generally not need to buy new cash registers, or any other equipment because of VAT.

Accounting records

Clubs, charities Non-profit bodies and organisations which register for VAT should already keep records either for Income tax purposes, or for accounting for members for money spent and received. It should therefore be possible to complete the VAT form with little change to the existing book-keeping systems. As long as a record is kept of transactions, the VAT return can be completed without producing a set of accounts. If a cash book is already kept to record transactions, this can be adapted for VAT by simply adding an extra column to record the amount of VAT included in transactions.

Invoices

Sales of goods or services by clubs and other organisations to members or the general public will **not** require any special documentation.

However, if an organisation sells to a registered person that person is entitled to request a tax invoice. Organisations that are likely to deal with registered persons will therefore need to keep supplies of tax invoices and must retain a copy of each tax invoice they issue.

The following rules apply to the provision of tax invoices:

- ⌋ No tax invoice is required for sales of less than \$50
- ⌋ If the amount of the sale is more than \$50, the tax invoice must show:
 - the words **tax invoice** in a prominent place;
 - an individual serialised invoice number;
 - the name, RMD number and address of the supplier;
 - the name of the recipient;
 - the date;
 - a quantity or volume of the goods or services supplied;

- a description of the goods and services supplied;
- either the VAT inclusive price and statement that it includes a charge for the tax; or the total amount of the tax, the price excluding tax and the price including tax.

Note that registered persons must also keep the tax invoices they receive to support their own claims for import tax credits.

The tax invoices do not need to be sent to the RMD with each return, but must be available in the event of a tax inspection by the RMD. VAT records must be retained for a period of five years.

I Guide to VAT return Preparation

VAT on Sales/income calculation

	\$
Subscriptions	30,000
Fees	5,000
Government Grants	15,000
Net proceeds of raffles	1,000
Sponsorship	5,000
Hiring out of facilities	77
Sales of goods	2,000
Total	\$58,077

Divide total by 9 = VAT **\$6453**

Purchases/Expenses tax calculation

	\$
All purchases of goods and services	58,000
Except	
Salaries and wages	
Interest and loan repayments	
Purchases from non-registered persons	13,000
Total	\$45,000

Divide total by 9 = VAT : **\$5000**

The VAT is calculated by adding up the VAT on all Tax Invoices received during the period.

Final Tax calculation

	\$
VAT on Sales/income calculation	6,453
VAT on Purchases/Expenses calculation	-5,000
VAT payable to RMD	\$1,453

This is a guide to illustrate the calculation for non-profit organisation which would be registered. It does not cover the situation of all clubs, charities and associations.

Supply Category Table

Type of Supply	Exempt Supplies	Taxable Supplies
Subscriptions		
Donations		
Bequests		
Grants (Government etc)		
Sale of Purchased Goods		
Sale of Donated Goods		
Raffles (Net Proceeds)		
Hall/Equipment Hire		
Admission Fees		
Affiliation Fees Received		
Advertising or Sponsorship		
Bar Sales		
Interest and Dividends		
Rent Received (Commercial & Residential)		
Other Income		
TOTAL TAXABLE SUPPLIES		

You must register for VAT if this total is more than \$30,000

Total \$40,000

IGNORE EXEMPT SUPPLIES IN THIS COLUMN

How to calculate the value of taxable supplies

Examples

1. A church has the following income:

Donations	26,000	(donation)
Hall hire	5,000	(taxable)
Annual gala	12,000	(exempt*)
Interest	500	(exempt)
Total	<u>\$43,000</u>	

*Assumes that only donated goods and services are sold. The churches total supplies are only \$5,000 and as the church is not required to register although it may choose to do so.

2. A sports club has the following income:

Subscriptions	3,000	(taxable)
Sponsorship	2,000	(taxable)
Bar sales	29,000	(taxable)
Bequest	5,000	(donation)
Raffle receipts	1,000	(taxable)

The sports club will have to register as its taxable supplies exceed \$30,000.

Further Assistance/Information

If you require further assistance in administering VAT as part of your organisation, the Revenue Management Division will be pleased to help you.