

- copies of correspondences from overseas principals.

The identity of the overseas supplier as well as the value and description of the goods must be readily available.

### How to record the transaction on the VAT return?

On the VAT return (extract below) the taxpayer must report the VAT due (deferred) to Customs as an output tax line 1 column B. The same amount must be reported as an input tax line 5.3 column B. The total of this operation output tax – input tax must be “zero”.

VAT deferred payment must be reported on the VAT return related to the period during which the importation occurred. If the importation is made in March, the VAT will be reported on the March return (due on April 21st) .

|  | A       | B       |
|--|---------|---------|
| 5 Input tax allowed as a credit                        |         |         |
| 5.1 On imported goods (excluding capital goods)        |         |         |
| 5.2 On goods and services purchased locally            |         |         |
| 5.3 On capital goods                                   | 50,000. | 50,000. |
| 6 Input tax not allowed as credit                      |         |         |
| 7 Adjustment (+ or -)                                  |         |         |
| 8 VAT credit carried forward from prior taxable period |         |         |
| 9 Input tax credit (5.1B + 5.2B + 5.3B + 7B + 8B)      |         |         |

### Is there a limit on the number of times a business can request for the deferred payment facility?

There are no limitations for requesting the deferred payment facility as long as VAT registered businesses meet all the conditions.

A VAT registered business can request for the deferred payment facilities as often as is required.

This brochure is not intended as an exhaustive explanation of the law. If you require detailed information about your tax obligations you should visit the SRC advisory centre or write to us.

For more information  
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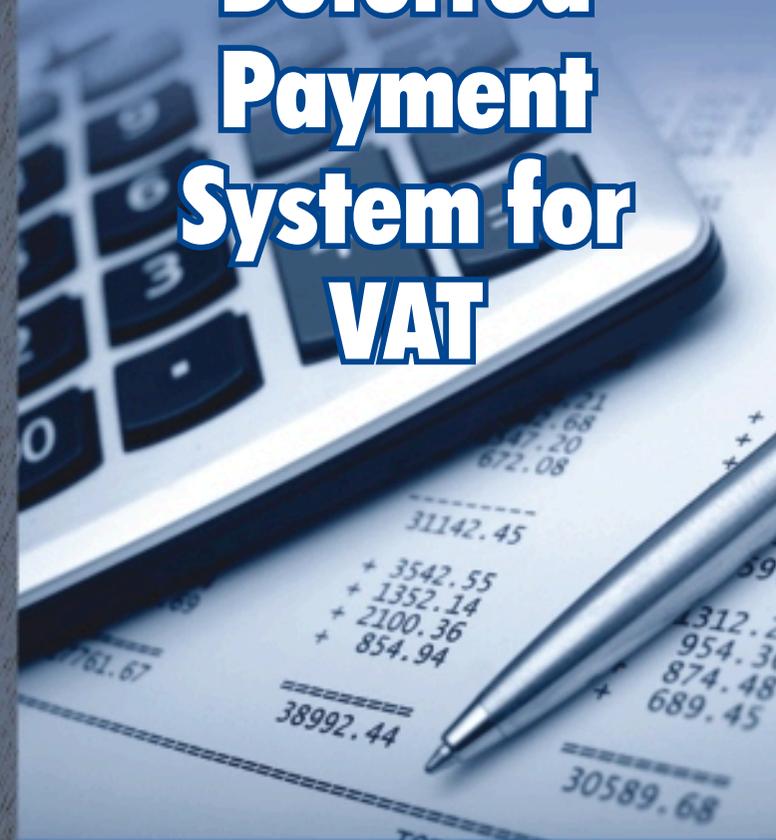
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# Deferred Payment System for VAT



An explanation about the deferred payment system for VAT

Information Brochure

## What is the VAT deferred payment system?

VAT is paid at the point of entry (Customs) on all importations, except those exempted under the VAT Act, 2010.

VAT defer payment is a facilitation enabling, under certain conditions, a VAT registered business not to pay the VAT due on importation of specific goods at the point of entry, but to report on its next VAT return.

This system is designed to prevent cash flow problems.

## How does the deferred system work?

Under the deferred payment system, the VAT payable at the point of entry of imported capital goods, is not paid at Customs but reported by the beneficiary of the imported capital goods on its next VAT return.

It is important to note that deferred payment applies only for the payment of VAT but not for other tax/duties payable at Customs.

## What are capital goods?

Capital goods are any tangible item, not being construction materials, which would normally be treated as an asset on the balance sheet of a business and have a useful life dependency of 2 years or more.

## What are the types of goods which will benefit from the deferred payment system?

Deferred payment facility applies on the following goods:

Capital goods:

- With an individual CIF Value of 100,000 or more;
- A group of identical goods (with same HS code) featuring on the same Bill of entry whose individual CIF value is less than SR 100,000 but more than SR 100,000 together.

**N.B:** If the capital goods is imported with some accessories which is part of the main import using same HS code (e.g. a boat with a dinghy featuring on the same invoice and priced as one item amounting to SR100,000 or more), it is considered as an individual purchase.

## Who benefits from the deferred payment system?

Only VAT registered businesses, benefit from the deferred payment system provided they meet certain conditions.

## What are the conditions for deferred payment?

The VAT registered business must meet the following condition to qualify for deferred payment:

- The business must be registered for VAT;
- The business must file its VAT return on time;
- The definition of capital goods and CIF value of the imported goods must meet the criteria explained;
- The business must have a good compliance record, has not committed any violation or offence under both the Revenue Administration Act and Customs laws/regulation for the past 3 years;
- The business must have received a formal authorisation from the Revenue Commissioner.

## What are the procedures to apply for VAT deferred payment?

The procedures are:

- The VAT registered business must apply in writing to the Revenue Commissioner;
- Capital goods for which the deferred payment is being applied for must be clearly described;
- Documentary evidence supporting the request must be provided;
- The request must be submitted 2 weeks before the importation of the specific good enters the country;
- A request must be submitted for each importation and/or each time the facility is used;
- In addition a bank guarantee maybe required by SRC before the authorization is granted. The applicant will be notified in writing when a bank guarantee is required.

The Applicant must present the authorization letter once approved, to Customs to have the goods cleared.

## What are the documents required at Customs?

The VAT registered business must provide the following documents to Customs:

- The authorization letter signed by the Revenue commissioner;
- Copies of Bill of Entry;
- Copies of documents showing the date/quantity/description of goods received;
- Copies of import permits, transshipment permits etc;
- Copies of shipping documents such as Airway Bill or Bill of Lading;
- Copies of commercial invoices accompanying the goods, if available;
- Copies of insurance documents accompanying the goods, if available;