

ed with the making of the exempt supplies. Therefore, a VAT registered business needs to know what is the relative share of its taxable supplies on its total turnover to be able to determine the proportion of input tax claimable as a credit. In such a case the input tax credit needs to be apportioned.

### How to calculate apportionment?

Input tax credit allowed is calculated using the following formula:

$$ax \text{ b/c}$$

'a' is the total amount of input tax (purchase and expense) for making both the taxable and exempted supplies;

'b' is the value of all taxable supplies;

'c' is the value of all supplies made during the VAT period.

### However, if:

VAT credit is > 0.90: the registered business is allowed credit on the whole value of the input tax.

VAT credit is < 0.10: the registered business is not allowed any input tax credit on the whole value of input tax.

### Is a VAT invoice required for zero-rated supplies?

It is a requirement under the VAT Act that VAT registered businesses issue a VAT invoice to their clients. This also applies to suppliers of zero-rated goods.

## Seychelles Revenue Commission Information Brochure on Zero-Rated Supplies

**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 or write to us.**

**For more information**

### Visit:

Seychelles Revenue Commission  
3rd Floor  
Maison Collet  
Victoria, Mahé

### Write to:

PO Box 50  
Victoria, Mahé

**Phone:**  
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**Zero-Rated Supplies  
under Value Added Tax  
(VAT)**



**An explanation about Zero-Rated  
Supplies**

### What are zero-rated supplies?

All supplies within the scope of VAT are either taxable or exempt under the VAT Act 2010. A taxable supply is chargeable to VAT at the standard rate of 15% or zero-rated which is a supply chargeable at the rate of 0%.

When the transaction is zero-rated, this means that the VAT charged on inputs relating to these goods can be claimed as input tax.

### What is the difference between exempt and zero-rated supplies?

An exempt supply is not subject to VAT. A zero-rated supply is a taxable supply, but charged at a VAT rate of 0%.

Whilst input tax incurred in the making of zero-rated supplies can be claimed, input tax used to make exempt supplies cannot be claimed as a deduction.

### What types of business activities are zero-rated?

- Export;
- A supply of goods imported to be manufactured then exported;
- Services directly in connection with temporary imported goods;
- Services provided by a licensed, International Corporate Service Provider / Companies Special License;

- A supply of telecommunication services to a non-resident;
- A supply of international transport services;
- A supply of maritime service including maintenance and repair of vessel;
- A supply of goods made by a duty free shop.

Please refer to the Second Schedule of the VAT Act for the complete list.

### Do I need to register if I make zero-rated supplies?

The general requirement is that it is compulsory for businesses making taxable supplies and whose annual turnover is within the VAT threshold of SR 2 million to register for VAT. This will also include businesses making exclusively zero-rated supplies. A business making zero-rated supplies whose turnover is below the VAT threshold can also choose to register on a voluntary basis if it wishes to. However, the business must satisfy the following requirements:

- Has kept and / or will keep proper records;
- Is compliant with all revenue laws;
- Has a fixed place of doing business; and
- Must remain registered for at least twelve months.

Once registered (voluntarily), the business cannot deregister for a minimum period of twelve months.

### Why should a business making zero-rated supplies register for VAT even if its turnover is below the VAT threshold?

When registered, these businesses will be able to claim the input tax incurred in the making of the zero-rated supplies. They will be entitled to claim input tax on:

- Purchases made locally
- Imported goods
- Investments (equipment, materials and machinery)

Businesses dealing with zero-rated supplies only are likely to be in a credit situation, as they do not collect VAT on their sales, but can incur 15% VAT on their expenses.

VAT businesses dealing with zero-rated supplies only, such as exporters, will be refunded on a monthly basis.

If they choose not to register they will have to bear the VAT as a cost and they will not be able to claim it as an input tax.

### What will happen to a business making both taxable supplies (including zero-rated) and exempt supplies?

A VAT registered business has the right to deduct input tax for the purpose of making a taxable supply.

When a VAT registered business makes both taxable (standard rated or zero rated supplies) and exempt supplies, not all the input tax can be claimed as a credit. The VAT registered business is not entitled to deduct any VAT on inputs directly connect-