



# VAT GUIDE

2014

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# VAT Guide

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## Introduction

This booklet is a basic guide on Value Added Tax (VAT) and its main purpose is to explain in general terms the principal features of VAT. The guide advises on how VAT works and helps you to better manage your VAT obligations.

This guide is not intended to be used as a definitive advice but to be used only as an explanatory guide. It is strongly recommended that reference is made to the VAT manual and/or the Value Added Tax Act, 2010 and its regulations where there are aspects relating to VAT which are not clear or covered in this guide or for information on infrequent and/or complex VAT issues. The VAT manual and VAT Act are available and can be downloaded from the SRC website ([www.src.gov.sc](http://www.src.gov.sc)).

It is also important to note that the VAT guide does not substitute the Value Added Tax Act 2010.

### Table 1

#### **VAT registration**

*If you are reading this guide we assume that you have registered for VAT either:*

- *On a compulsory basis if your annual taxable supplies#made or expected to be made is **SR 3,000,000 or more; OR***
- *On a voluntary basis if your business annual taxable supplies#made or expected to be made is less **than SR 3,000,000** but you opt to register for VAT.*

**\*SR 3,000,000 is the new VAT threshold for the year 2014**

*You may also be considering registering for VAT. Therefore, we advise you to read our VAT leaflet – Do you need to register?*

*If you voluntarily registered for VAT, and after reading this guide you decide that registering was a mistake, you may de-register. See Part 6 of this guide for more information about ending your VAT registration.*

## Part 1— Explaining VAT

### 1. What is VAT?

VAT is a tax on consumption paid ultimately, by final consumers, but collected and remitted to the Seychelles Revenue Commission (SRC) by VAT registered businesses.

VAT is collected in a staged process; each fully taxable business pays VAT to its suppliers on its inputs and its imports (input VAT) and receives VAT from its customers on its outputs (output VAT). Input VAT is offset against output VAT so that the right amount of tax to be remitted to Seychelles Revenue Commission (SRC) by each taxable business is the net amount or the difference between those two (that is, between input VAT and output VAT).

### 2. How does the VAT system work?

As a VAT-registered business you:

- collect VAT through the sale of goods and services to your customers, and;
- pay VAT through purchases and business expenses.

When you file your VAT return, you **offset** the difference between the amount of VAT you have collected (output VAT) and the amount of VAT you have paid (input VAT).

- If you have paid out more VAT than you have collected (that is, input VAT is greater than output VAT), you will get a **credit** that could be refunded to you according to certain conditions;<sup>1</sup>
- If you have collected more VAT than you have paid, you will **need to pay** the balance to SRC by the due date (see Part 5 of this Guide).

#### Example of VAT chain

**A** is an importer, **B** is a wholesaler, **C** is a retailer, **D** is a household.  
**A** and **B** are VAT registered taxpayers. **C** is not.

- On January 1 2014: **A** imports a computer for a value of SR 10 000 CIF (cost, insurance and freight) included and also customs duties (trades tax and excise tax). VAT will be charged on this value.  
**A** will pay  $10\,000 \times 15\% = \text{SR } 1\,500$  to Customs.
- A** sells this computer to **B** on January 17, 2014. The sale price is SR 15 000 (VAT inclusive). VAT return subscribed by **A** will show the following:
 

Output tax:	1956	(VAT collected from <b>B</b> )	$(15,000 \times \frac{15}{115} = 1956)$
Input tax credit:	- 1500	(VAT paid to Customs)	
VAT payable	SR 456		

***A** could also get the same result by multiplying his margin  $(13\,044 - 10\,000) \times 15\% = 456$  (VAT exclusive amount)*
- B** sells the same computer to **C**. The sale price is SR 18 000 (VAT inclusive). On the return, **B** will report the following:
 

Output tax:	2347	(VAT collected from <b>C</b> )	$(18,000 \times \frac{15}{115} = 2347)$
Input credit:	-1956	(VAT paid to <b>A</b> )	
VAT payable	SR 391		

***B** could also get the same result by multiplying his margin  $(15\,653 - 13\,044) \times 15\% = 391$  (VAT exclusive amount)*
- C** sells the computer to **D** for SR 20 000. VAT is not charged by **C**. The price is deemed to be all tax included but without VAT charged on the selling price.

**Table 2**

### 2. a. VAT accounting (Option for accrual basis (VAT on invoice))

According to the VAT ACT (amended) the VAT is due when the payment is received (cash basis). However to facilitate compliance and to align the VAT rules with business practices, SRC may allow businesses that make a formal request to the Revenue Commissioner, to report VAT on invoices (**Accrual basis**). These requests should be made early when Businesses lodge their

first	VAT	Return.
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<sup>1</sup> The claim for refund must be supported by all related documents for that particular Taxable Period (VAT period).

Businesses that opt for the VAT on an accrual basis will have to stay in this regime for at least 12 months before moving to a cash basis. It is important to note that invoices must be issued (available for the customer) within 28 days after the date the supplies take place. Otherwise the time of supply will be considered as:

1. The date the supplies have taken place
2. The date the payment is received, whichever comes first

## Part 2 - Taxable and exempt supplies

If you are registered, VAT is included in the price of most goods, services and other things you sell to others in the course of your enterprise. These are called taxable supplies. There are other types of sales where VAT is not included in the price. These are called exempt supplies.

### 1. Taxable supplies

There are two types of taxable supplies: **standard-rated** or **zero-rated**.

VAT rates	
The VAT rates are:	<ul style="list-style-type: none"> <li>• standard rate: 15%;</li> <li>• zero rated supplies: 0%</li> </ul>

**Table 3**

You must charge VAT, whether at 15% or 0%, on the taxable sales you make and you can claim VAT credits for purchases you used to make these taxable sales.

You make a taxable sale if you are registered or required to be registered for VAT *and*:

- a) **You make a sale in return for payment:** This is usually monetary but there can be other form of payment, such as goods or services provided instead of money, as in barter transactions;
- b) **You make the sale in the course of operating your business:** This means that you provide the goods or services as part of conducting your business. It includes all sales of business assets, including items such as office plant and equipment. It also includes sales done in the course of setting up or winding down your business.

**Example:** If your business provides electrical services and sells some electrical cable left over from a job for its copper content, the sale is part of your business activities and VAT is payable. By contrast, if you decide to sell a private vehicle that is not used in the business, the sale is private and no VAT is payable.

- c) **The sale is made in Seychelles:** VAT (whether at 15% or 0%) applies to sales that are made in Seychelles. A sale of goods is connected with Seychelles, if the goods are:
  - delivered or made available in Seychelles to the purchaser;
  - removed from Seychelles;
  - brought to Seychelles, provided the seller either imports the goods into Seychelles or installs or assembles the goods in Seychelles.

A zero-rated supply is also a taxable supply. All exports are zero-rated because VAT is not charged on consumption made abroad. There are also some designated supplies which are zero-rated (see Schedule II under the VAT Act 2010).

Some examples of zero-rated supplies are the:

- good sold in a duty free shop
- services provided by a Companies Special License

If you have zero-rated supplies you can claim VAT on your expenses. Include all zero-rated supplies in the corresponding box under Box 1A of your return.

## 2. Exempt supplies

VAT cannot be charged on:

- sales by an unregistered person;
- sales of private property (e.g. a car or home not used for business);
- exempt supplies.

There are two categories of exemptions under the VAT Act, 2010:

- exempt imports (see the First Schedule part I of the Act); and
- exempt supplies(see the First Schedule Part II of the Act).

a) Exempt imports include:

- Some basic essential goods (e.g. sugar, rice, powdered milk, meat, vegetables, fruits, lentils, salts etc );
- Goods for consumable stores for use outside Seychelles;
- Electric bulb (energy savings);
- Goods imported to be used in the process of conservation.

*(See First Schedule - Part 1 of the Value Added Tax Act 2010 for the complete list of exempt import)*

b) Exempt supplies include:

- a supply of education services, including any textbooks or stationery supplied in relation to such services;
- a supply of government hospital, medical and dentals services including government ancillary services;
- a supply of life insurance premiums or a reinsurance contract by a person carrying on the business of a licensed insurer or reinsurer;
- a supply of internationally donated goods or services to a no-profit body;
- a supply of financial services carrying on a business as a financial institution as defined in the Financial Institutions Act.

*(See First schedule - Part II, of the Value Added Tax Act 2010 for a more accurate list of exempt supplies)*

## Part 3 – VAT Return

## 1. What is a VAT return?

A VAT return is a declaration in a prescribed form required to be submitted to SRC to report taxpayers VAT liabilities or credit or claim for refund. The declaration is a summary of the VAT Account and it is made up of the total VAT charged by a business on its sales (Output VAT) and the total VAT paid by the business to suppliers or to Customs on importation (Input VAT). It details:

- the total amount of sales and purchases you have made and how much VAT you collected from your customers;
- the total amount of goods (capital assets) or services purchased and how much VAT you are entitled to claim back;
- the amount of VAT you must remit to SRC or the amount of VAT you can get reimbursed by SRC;

## 2. Do I need to submit a VAT return?

If you are a VAT registered business you will need to submit a VAT return on a monthly basis if you are a compulsory registered business and on a quarterly basis (every 3months) if you are a voluntary registered business.

## 3. Where can I get a copy of the VAT return?

For a copy of the VAT return, you can visit the SRC's website on [www.src.gov.sc](http://www.src.gov.sc). Alternatively, you can email SRC at [advisory\\_centre@src.gov.sc](mailto:advisory_centre@src.gov.sc) for a soft copy to be emailed to you or you can visit one of SRC's offices on Mahe, Praslin and La Digue to collect a hard copy or bring along a pen drive to get a soft copy.

## 4. How do I submit the VAT return?

You can submit your VAT return in hardcopies or in an electronic format by using one of the two methods below:

- Taxation E-Service (This facility is available on the government e-service gateway at <https://eservice.egov.sc/egateway/homepage.aspx>. The link is also available on the SRC's website – [www.src.gov.sc](http://www.src.gov.sc))
- Via pen drive

To submit your VAT return via Taxation E-service, you must first register, if you have not done so already, to be provided with an e-ID, password and access code. Registration can be done at the SRC offices on Mahe, Praslin and La Digue. For more information on Taxation E-Service, you can visit our website at [www.src.gov.sc](http://www.src.gov.sc), email us at [advisory\\_centre@src.gov.sc](mailto:advisory_centre@src.gov.sc) or call us on +248 4293741. Refer to the SRC E- service guide on the website.

If you choose to submit your return via a pen drive, you need to bring your pen drive to SRC where SRC officers will keep a copy of your return and return your pen drive to you immediately.

## Part 4 - Complete and File your VAT Return

- ❗ **Remember:** VAT is a tax on consumption paid ultimately, by final consumers, but collected and remitted to the SRC by businesses.

You are personally responsible for the accuracy of the information on your VAT return. Ensure that you add all your personal details, including your TIN, name and address on the VAT return and that all the other details on your VAT return are correct.

### 1. Complete your VAT return

To complete your return, work out the difference between:

- the VAT you have added to items or services you sold, and;
- the VAT you have paid on business expenses and purchases.

### Step-by-Step Instruction for completing your VAT Return

When you are completing your VAT return, you should follow these basic step-by-step instructions (see Appendix 1 for a sample of the VAT return. The instructions will direct you where you should fill in.

- ❗ Do not forget to enter your name, address, TIN, and the Taxable period<sup>2</sup> (VAT period) in question. Instructions are available at the back of the VAT return. Do not enter any figures in the shaded grey areas on the VAT return.

#### a) How to calculate your VAT liability: “the VAT to be remitted to the SRC”

##### **1st step: Calculate your output tax**

On your VAT return you will report the total amount of VAT collected from your customers during the taxable period (the month mentioned on the top right corner of your VAT return).

**On line 1A** report the total sales of taxable supplies at standard rate exclusive of VAT (excluding capital asset used in your business).

**On line 1B** report the total VAT collected on the total taxable supplies at standard rate of 15%.

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<sup>2</sup> The Calendar Month in which VAT has been paid and/or collected.

### VAT-inclusive price and VAT exclusive-price

When adding VAT to the price of goods and services, multiply the amount by 15% to get the VAT-inclusive price. If the price already includes VAT, multiply it by 3 then divide by 23 to find out the VAT amount. Subtract this to get the VAT-exclusive amount. (Note:  $\frac{3}{23}$  is the same as  $\frac{15}{115}$ )

Adding VAT		Subtracting VAT	
Sale	SR 100 X 15%	Sale	SR 115 x 3 ÷ 23
<b>VAT</b>	<b>15</b>	<b>VAT</b>	<b>15</b>
Sale	SR 100	Sale	SR 115
Plus VAT	<u>+ 15</u>	Less VAT	<u>- 15</u>
VAT-inclusive	115	VAT exclusive	100

**Table 4**

**On line 1.1A** report the total sales on exports

**On line 1.2A** report the total sales on zero rated supplies that are not exports e.g.

**On line 1.3A** report the total sale of capital asset excluding VAT.

**On line 1.3B** report the VAT collected on the total sale of capital asset

**On line 2A** report the total sales value of exempt supplies made during the taxable period.

**On line 3B** report **adjustments** (see table below) increasing or reducing the amount of your output VAT.

### Adjustments

*In some instances, you may need to calculate a VAT adjustment to either pay VAT, e.g. for a business asset used privately, or to claim back VAT that has already been paid, e.g. for a private asset used for business (See Part 2 of this guide).*

*For other adjustments, you will need to work out the private or exempt portion of various income and expenses.*

*You may have to include **credit** and **debit notes** (see Table 7 on page 10) in your calculations when you are making an adjustment.*

- **Credit notes** are issued when the price of a supply has been reduced after a tax invoice was issued, e.g., the return of faulty goods.

- **Debit notes** are issued when the price increases after a tax invoice has been issued.

**Table 5**

**Line 4B** is the total amount of VAT collected on taxable supplies plus or less adjustments (line 1B +/- line 3B).

**2<sup>nd</sup> step: Claiming VAT Credits**

The second part of your VAT return deals with input tax credit that you may want to offset.

**On line 5.1A** report the total custom value (CIF) plus tax duties (but excluding VAT) of imported goods

**On line 5.1B** report the VAT incurred on imported goods

**On line 5.2A** report the total cost of goods and services purchased locally exclusive of VAT

**On line 5.2B** report the VAT incurred on goods and services purchased locally

**On line 5.3A** report the total cost of capital goods imported or purchased for use in your business exclusive of VAT

**On line 5.3B** report the VAT incurred on capital goods imported or purchased for use in your business

**On line 6A** report input tax not allowed as credit (see table 6 below).

**On line 7B** report adjustments on purchases and expenses.

When you can claim VAT credit	When you cannot claim VAT credit
<p>If you are a registered-VAT taxpayer you can generally claim an input tax credit for any VAT included in a purchase you make if all of the following apply:</p> <ul style="list-style-type: none"> <li>▪ you intend to use your purchase solely or partly in carrying on your business</li> <li>▪ the price includes VAT</li> <li>▪ you provide, or are liable to provide, payment for the item you purchased</li> <li>▪ you have a tax invoice from your supplier.</li> </ul> <p><b>Note:</b> Your supplier must be registered for VAT before you can claim a VAT input tax credit on a purchase. If you are in doubt you can:</p> <ul style="list-style-type: none"> <li>■ ask if the supplier is registered for VAT</li> <li>■ check the SRC website at <a href="http://www.src.gov.sc">www.src.gov.sc</a> for the list of VAT registered businesses</li> <li>■ phone 4293745 to confirm whether the supplier's TIN is valid.</li> </ul> <p><b>Most common items you can claim VAT on</b></p>	<p>You cannot claim a VAT credit for a purchase that you intend to use for either:</p> <ul style="list-style-type: none"> <li>▪ making exempt supplies, or</li> <li>▪ private or domestic purposes.</li> </ul> <p>There are other purchases you cannot claim a VAT credit for, even though VAT is included in the price. These include:</p> <ul style="list-style-type: none"> <li>▪ entertainment including food, beverage and amusement</li> <li>▪ accommodation of any kind</li> <li>▪ motor vehicles expenses.</li> </ul> <p>If you purchase goods or services that you use for both business and private use, you can claim a VAT credit for the part of the purchase relating to your intended business use.</p> <p><b>For example:</b></p> <p>You buy a computer for SR 3,300 (including SR 430 VAT).</p>

<ul style="list-style-type: none"> <li>▪ telecommunications – telephone, fax, internet service</li> <li>▪ repairs</li> <li>▪ Registration fees</li> <li>▪ stationery, office supplies</li> <li>▪ repairs to business assets</li> <li>▪ packaging</li> <li>▪ capital, fixed assets –trucks, equipment</li> <li>▪ Commercial rent of business premises.</li> </ul>	<p>You intend to use the computer 60% of the time for business and 40% for private purposes. You can only claim a VAT credit for the portion of your purchase that relates to your intended business use.</p> <p>This means you can claim SR 258 (60% of SR 430) as a VAT credit.</p>
<p><b>🔔 If you are in doubt on when you can claim VAT credit:</b></p> <ul style="list-style-type: none"> <li>• <i>phone us on 4293745 for advice;</i></li> <li>• <i>visit our advisory centre;</i></li> <li>• <i>or email us on <a href="mailto:vat@src.gov.sc">vat@src.gov.sc</a></i></li> </ul>	

Table 6

You can claim a deduction of the VAT paid on purchase of goods and services to the extent to which those goods and services are used for making taxable supplies. You must estimate on acquisition how you intend to use the goods or services and choose a determination method that provides a fair and reasonable result, which will be expressed as a percentage of the total use.

*Example:* Mr. B rents an office at monthly price of SR 23,000 (including VAT of SR3, 000). This office will be used both in Mr. B's business as a sole trader and for private purposes (his non-profit organization). The office is used 70% of the time for business purposes. Consequently, Mr. B claims 70% of the available input tax:  $SR\ 3,000 \times 70\% = SR\ 2,100$ .

### **Price changes (credit and debit notes)**

Sometimes, the price of goods or services will change after you have prepared an invoice or made a payment. This is what you need to do:

#### **1. Reduction of the agreed price**

If you supply goods and services and reduce the price of the supply after issuing an invoice or receiving payment, you must include the amount of the reduction in the taxable period (VAT period) in which you made it

This is usually the taxable period (VAT period) when the credit note was issued. If you have already issued a tax invoice, you must always issue a credit note.

The buyer must include the reduction shown on the credit note in the return for the period covering the time of reduction. This is usually the period when the credit note was received.

#### **2. Increase of the agreed price**

If you supply goods or services and increase the price of the supply after issuing an invoice or receiving payment, you must include the amount of the increase in the taxable period (VAT period) in which you made it in.

This is usually the taxable period (VAT period) when you issued the debit note. If you have already issued a tax invoice, you must issue a debit note for any price increase.

The buyer must include the increase in the return covering the time the increase was made. This is usually the taxable period when the debit note was received.

### ***Delayed settlement transactions***

*Dishonoured cheques:* If a cheque is dishonoured, it is as though the payment was not made and you do not account for it. But, if you have already filed your return and it includes a dishonoured cheque, please contact us about correcting it.

**On line 8B** report the VAT carried forward from prior taxable period (VAT period) (line 11B of your last VAT return)

**On line 9B** report the total amount of VAT deductible (line 5.1B+ 5.2B +5.3B+7B+8B)

### **3rd step: Determine your VAT liability**

**On line 10A** report the excess VAT (if 4B is greater than 9B) payable to SRC

**On line 11B** report your VAT credit (if line 9B is greater than line 4B) to be carried forward or refunded.

### **4<sup>rd</sup> Step: Claiming a VAT refund**

#### ***How to file your claim for VAT refund?***

When **line 11B** of your VAT return shows a credit:

- You are entitled to claim a refund for each taxable period (VAT period) (monthly) if you are an exporter
- You are entitled to claim a refund if three successive VAT returns show a credit if you are not an exporter

In both cases fill the row “claim for refund” and indicate the amount you would like to be reimbursed.

### **5<sup>th</sup> Step: Competing your BAS form**

The VAT amount payable that you declare on your VAT return in **Box 10A** should be reported under the VAT section on your BAS form.

As the BAS can also be filed online, when you complete the your VAT return online the Total VAT to be remitted in part V below will automatically be calculated.

*Extract of the BAS form*

<b>Value Added Tax (VAT)</b>			
	<b>Rate</b>	<b>VAT amounts (SR)</b>	
VAT due and payable (From box 10A of VAT Return)	15%	<input type="text"/>	V1 
Other payments:	Surcharge & others:	<input type="text"/>	V2 
<b>Total VAT to remit:(labels V1+V2)</b>		<input type="text"/>	<b>V</b> Summary
A VAT Return must be attached for payment of VAT			

Table 7

## 2. Filing and Paying

- ❗ Before you submit your VAT return to SRC, ensure that no mistakes have been made on the VAT return. If you realize you have made a minor error or errors in a VAT return you have filed, which was caused by a clear mistake, simple oversight or mistaken undertaking that results in an under or overstatement of your VAT liability, you can correct it in the next taxable period and calculate the adjustment, or the same taxable period(VAT period) by writing to us with the details. Do not forget to sign the declaration after completing the VAT return.

### a) *Due dates for reporting and paying VAT*

**Monthly:** If you are a compulsory VAT registered business you must report and pay on a monthly basis. The due date for lodging your VAT return and BAS form and paying any amount you owe on that statement is 21 days after the end of each month.

**Quarterly:** If you are a voluntary VAT registered business you must report and pay on a quarterly basis. The due dates for lodging your VAT return and BAS form and paying any amount you owe on that statement (including quarterly instalment amounts) are by 21<sup>st</sup> of April, July, October and January in any year.

### b) *How to make payments?*

You can make payments:

- by post – but **never** send cash
- by bank transfer
- over the counter at Seychelles Revenue Commission Offices on Mahe, Praslin and La Digue
- by using our drop box at Ocean Gate House for cheques payment only.
- Electronically (E-Payment)

- ❗ For full details on payment options contact SRC on 4293745.

**FAQ about Filing VAT return**

*If I have a nil VAT return do I still have to file?*

Yes—there are no exceptions. If you are a VAT registered you must always file your VAT return by the due date.

*If I cannot pay my VAT amount what should I do?*

File your VAT return, and then call us on 4293745 to discuss your payment options.

**Table 8**

## Part 5 – Your rights and obligations

### 1. Record keeping

*Key points*

- *To claim VAT credits, you must keep documents such as receipts or invoices to support your claims.*
- *All VAT invoices and other VAT records must be kept for 7 years.*
- *Keep all the paperwork that supports and explains your VAT figures.*
- *Complete records save you time.*
- *Make sure your TIN is clearly visible on all your VAT invoices*

**Table 9**

### 2. Basic accounting rules

For the purposes of Value Added Tax records, three accounts must be kept for bookkeeping (see Appendix 2).

1. **The VAT on Input Account** - This account will usually show a debit (SRC "owes" you money for the VAT you have paid and that you are entitled to receive from them).
2. **The VAT on Output Account** - This account will usually show a credit (SRC is "entitled" to receive the VAT from you that you have collected on its behalf. The money is not yours and it is only temporarily in your possession until the due date for the payment of VAT). This account reflects the VAT collected on sales.
3. **The VAT Debit and Credit account** - This is the account to which the first two accounts are posted. The account balance may show a credit, the VAT to be paid to SRC or it may show a debit the VAT to be refunded or carried forward.

### 3. VAT invoice

- ❗ As a VAT-registered person you will need to give your customers 'VAT invoices.' A Sample of the VAT invoice can be seen in Appendix 3.

A VAT invoice should contain the following information:

- The name 'VAT invoice'
- The name, address and TIN of the supplier
- The name/business name and address of the purchaser
- The date of issue
- A description of the goods purchased or services provided
- Total price excluding VAT
- The amount of VAT charged
- The total price including VAT to the extent that each sale to which the document relates is a taxable sale.

### 4. Late filing

If you do not file your return by the due date you will have to pay a late filing penalty. We will send you a statement advising you of the late filing penalty and the due date for paying it.

### 5. Late payment

- ❗ Late payments will incur late payment penalties and interest.

Interest applies if you do not pay the amount due or you underpay. We will charge interest on the amount outstanding from the day after the original due date.

Interest is charged on the assessment and any penalties charged.

### 6. Payment arrangements

If you cannot make your VAT payment in one period, you may have some options. To see what your options are, call us on 4293737 or visit our advisory centres.

Do not wait until after the due date to contact us. You may be entitled to greater penalty reductions if you contact us before the due date.

### 7. Default assessments

If you do not send us a return, we will estimate the amount of tax we think you should pay—by a default assessment. There is a risk that this amount will be higher than what you actually owe. If you make a combined payment for VAT and you use one of the modes of payment under PAYG (Pay As You Go), but do not file your return, we will use it to pay any VAT default assessment and late filing penalty first.

### 8. Audits

We may audit your business from time to time to check how your VAT records match up with the information on your VAT returns. This is a routine SRC activity and we will notify you of

any upcoming visit. You are required to keep all financial records of your taxable activity for seven years. Failing to keep adequate VAT records is a very serious matter and can result in a penalty. For information about our audit process and your rights and obligations, read our VAT Manual.

## 9. Offences and penalties

Any registered person who does not comply with the tax laws commits an offence and may be prosecuted.

Offences include:

- Failure to register when required by the law;
- Failure to inform SRC of any change impacting registration or VAT status;
- Failure to display a VAT certificate;
- Failure to issue proper VAT invoice;
- Irregular issuance of VAT invoice, credit or debit notes;
- Issuance or use of false invoice, credit and debit notes;
- Irregular invoicing and/or collection of VAT by non registered taxpayers;
- Failure to lodge a VAT return on time;
- Failure to pay VAT on time;
- Underreporting of VAT liability;
- Over reporting of input credit
- Failure to maintain proper records, book keeping;
- Failure to present proper records, book keeping when required by SRC.

Penalties for late filing and inaccuracy of return

### **(i) Late payment of VAT**

- (a) Interest will be calculated as a percentage of the unpaid VAT. The rate of interest applicable (only when the taxpayer has not paid revenue on the due date) is the quarterly average prime lending rate on the first day of the period (meaning when the payment was due) as published by the central bank of Seychelles increased by three percentage points.
- (b) A taxpayer who fails to pay revenue by the due date or if the Revenue Commissioner has extended the due date under section 222 of the RAA, the extended due date, is liable for an amount of additional tax equal to 10 % of the amount of unpaid tax.

### **(ii) Late filing**

A taxpayer who fails to furnish a return as required under a revenue law is liable for an amount of additional tax equal to:

- (a) *If the return relates to the conduct of a business-*
- (i) in case of a small business, SR500 plus SR50 for each week or part of a week that the return is not furnished;

- (ii) in the case of a medium business, SR1, 000 plus SR100 for each week or part of a week that the return is not furnished.
  - (iii) in the case of a large business, SR5,000 plus SR500 for each week or part of a week that the return is not furnished.
- (b) *In any other case, SR500 plus SR50 for each week or part of a week the return is not furnished.*

## **(ii) Inaccuracy of VAT return**

A VAT Return that is inaccurate and incorrect means tax is unpaid, understated, over claimed or under-assessed

Voluntary disclosure on inaccuracies as soon as detected may reduce any penalty that is due, leading in some cases to zero.

The penalty rate for inaccurate VAT returns is 10% of the revenue unpaid for.

### ***Interest on late payments***

Interest will be calculated as a percentage of the unpaid VAT (plus penalties).

- The starting point is the day after the original due date for paying the tax;
- The arrival point is the day when the full payment is recorded by SRC.

3 % the first month and 1% the following months until full payment with a minimum of 14% per year (by reference to the 365 day Treasury Bills as published by Central Bank).

## **PART 6 - Cancelling your VAT registration**

### **b) You can cancel your VAT registration if:**

- you stop making taxable supplies; or
- you are closing down or selling your business; or
- you expect your turnover to drop below SR 3 million—and stay there for a while (minimum 12 months) if your business is registered on a compulsory basis; or
- you realize you no longer wish to be VAT registered if your business is registered on a voluntary basis.

### **c) When you cancel you will no longer:**

- be able to charge VAT on prices to your customers;
- be able to issue receipts and invoices showing VAT;
- have to file a VAT return;
- be able to claim VAT back from SRC;

- be able to claim refund from SRC.

**d) What you need to do**

If you decide to cancel your VAT registration, you must let us know within 21 days of the date you stop making taxable supplies, close down or sell your business or you are no longer required to or wish to be registered as per a) above. You can do this by completing a VAT cessation form (see Appendix 4 – for a sample of the VAT cessation form) and posting it to us or by calling us on 4293745. You will also need to send in a final return, up to your date of cancellation.

**e) What we will do**

We will send a notice of your actual cancellation date to you which will normally be the last day of a taxable period. This may not be the end of your normal taxable period.

## APPENDIX 1: Sample of a VAT return

		<b>SEYCHELLES REVENUE COMMISSION</b> <b>VALUE ADDED TAX RETURN</b>	
P.O Box 50, Orion Mall, Victoria Advisory Centre, Ocean Gate House, Victoria Tel: 4 29 37 37, 4 29 37 42 Fax: 4 22 55 65 E-mail: advisory.center@src.gov.sc Website: www.src.gov.sc		<b>Taxable Period:</b> Month(s): <input style="width: 100px;" type="text"/> Year: <input style="width: 50px;" type="text"/>	
<b>BUSINESS INFORMATION</b>		<b>FOR OFFICIAL USE ONLY</b>	
<b>Name:</b> <input style="width: 90%;" type="text"/> <b>TIN:</b> <input style="width: 90%;" type="text"/>		Date Received: <input style="width: 90%;" type="text"/>	
<i>The return must be lodged together with the Business Activity Statement if you are making a payment and sent to the Seychelles Revenue Commission, Orion Mall, P.O. Box 50, Victoria, Mahe, Seychelles no later than 21st of the month following the taxable period.</i>			
<b>OUTPUT TAX (Supply of services and goods by you)</b>		<b>A</b>	<b>B</b>
		Value in SR (exclusive of VAT)	VAT in SR
1	Taxable supplies (Standard Rate @15%)		
1.1	On exports		
1.2	On zero-rated supplies (other than exports)		
1.3	On sale of capital asset		
2	Exempt Supplies		
3	Adjustments (+ or -)		
4	<b>TOTAL OUTPUT TAX = (1B + 1.3B + 3B)</b>		
<b>INPUT TAX (Imports and Purchases)</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		
6	Input tax not allowed as credit		
7	Adjustment (+ or -)		
8	VAT credit carried forward from prior taxable period		
9	<b>Input tax credit (5.1B + 5.2B + 5.3B + 7B + 8B)</b>		
<b>VAT LIABILITY</b>		<b>VAT due</b>	<b>VAT Credit</b>
10	VAT payable (4 B > 9B)		
11	VAT credit (9B > 4B)		
<b>CLAIM FOR REFUND</b>			
VAT credit reflected in line 11B can be either refunded or carried forward to the next taxable period. If you wish a refund indicate the amount that has to be reimbursed. <input style="width: 150px;" type="text"/>			
<b>DECLARATION</b>			
I hereby declare that all the information on this form is true and correct.			
Name: .....		Signature: ..... Date: .....	

## APPENDIX 2: Sample of Bookkeeping:

### Book keeping sample

1. The total purchases that you made amount to SR 1,000 plus SR 150 VAT on inputs.
2. The total sales you made amount to SR 4,000 plus SR 600 VAT on (output) **transactions**.
3. VAT Computation
6. Balance paid to SRC

	Debit	Credit
1. Purchases	1,000	
VAT on <b>transactions</b>	150	
Current account at bank		1,150
Purchases recorded for January		
<hr/>		
2. Current account at bank	4,600	
Sales		4,000
VAT on <b>transactions</b>		600
Sales recorded for January		
<hr/>		
3. VAT on <b>transactions</b>	600	
VAT on inputs		150
VAT debit and credit account		450
Transfer of surplus to debit & credit account		
<hr/>		
4. VAT debit and credit account	450	
Current account at bank		450
Payment of VAT reported for January		

**APPENDIX 3: Sample of VAT invoice:****SAMPLE VAT INVOICE**

By: IDEAL PTY Ltd  
 Market Street  
 Victoria Seychelles  
 TIN: 123 456 789

To: Superstore  
 5<sup>th</sup> July Avenue  
 Victoria Seychelles  
 TIN: 987 654 327

**Date: March 12 2014**

<b>QTY</b>	<b>Description of supply</b>	<b>Unit price VAT exclusive</b>	<b>VAT</b>	<b>Unit price VAT inclusive</b>	<b>Total</b>
20	Window frames	SR 1000	SR 150	SR 1150	SR 23 000
200	Tills	SR 30	SR 4.50	SR 34.50	SR 6900
-					
-					
<b>Total VAT paid</b>			SR3900		
<b>Total amount paid (VAT included)</b>					SR 29 600

### APPENDIX 4: Sample VAT Cessation form

	<b>SEYCHELLES REVENUE COMMISSION</b>  <b>APPLICATION FOR CANCELLATION OF VAT REGISTRATION</b>	<b>FOR OFFICIAL USE</b>	
		Date received	
		Receiving Officer	

1. **TAX IDENTIFICATION NUMBER:**
2. **VAT REGISTRATION:**
3. **Compulsory**  **Voluntary**

**SECTION A: PARTICULARS OF BUSINESS**

4. Business / Trading Name: -----  
-----
5. Principal business Address: -----  
-----
6. Tel No.: ----- 6. Fax No.: ----- 7. E-mail address: -----

**SECTION B: CANCELLATION OF REGISTRATION**

8. I wish to cancel my VAT registration with effect -----/-----/-----
9. Reason for cancellation of registration:
- a)  My business ceased operation on -----/-----/-----
- b)  My business ceased to make taxable supplies on -----/-----/-----
- c)  My turnover did not exceed SR 5m in the last 12 month
- d)  Others (Please specify) -----  
-----  
-----
- Please provide a brief explanation to reason stated under **a, b, c** or **d** above  
-----  
-----  
-----

**SECTION C: BUSINESS TURNOVER**

10. Turnover (past 12 months): SR----- 11. Expected turnover (next 12 months): SR-----

**12. Declaration:**

I ----- hereby certify that the particulars provided in this application form are true and correct in every detail and shall be liable for any act done or omitted to be done while I remained a registered person in respect of taxable supplies made.

Signature: ----- Date: -----/-----/-----