

Corada Revenue Services

Value Added Tax (VAT) General Overview



Overview of Corada's Value Added Tax (VAT) System

General Overview

VAT is a consumption tax that is levied at each stage of the supply chain, from production to final sale to the consumer. Businesses registered for VAT must charge VAT on the goods and services they supply and remit the VAT they have charged to the revenue agency.

The VAT is a tax that applies to most supplies of goods and services made in Corada. Generally, VAT registrants have to charge and collect the tax on all taxable (other than zero-rated) supplies of property and services they provide to their customers.

VAT is commonly expressed as a percentage of the total cost of a good or service. For example, if a product costs \$100 and there is a 10% VAT, the consumer pays \$110 to the merchant. The merchant keeps \$100 and remits \$10 to the government.

Definitions

Exempt supplies means supplies of property and services that are not subject to the VAT. Some supplies are exempt from the VAT – that is, no VAT applies to them. This means that you do not charge the VAT on these supplies of property and services, and you are generally not entitled to claim credits on property and services acquired to provide these supplies. Generally, you cannot register for the VAT if your business provides only exempt supplies; one exception is if you are a listed financial institution resident in Corada.

Person means an individual, a partnership, a corporation, the estate of a deceased individual, a trust, or a body that is a society, a union, a club, an association, a commission or other organization of any kind.

Property means any property, whether real or personal, movable or immovable, tangible or intangible, corporeal or incorporeal, and includes a right or interest of any kind, a share and a chose in action, but does not include money.

Registrant means a person that is registered or required to be registered for the VAT.

Service means anything other than:

- property
- money
- anything that is supplied to an employer by an employee in the course of employment

Supply means the provision of property or a service in any way, including sale, transfer, barter, exchange, licence, rental, lease, gift, or disposition.

Taxable supply means a supply that is made in the course of a commercial activity and is generally subject to the VAT (including zero-rated supplies).

The items below are examples of taxable supplies (other than zero-rated supplies):

- sales of new housing
- sales and rentals of commercial real property
- sales and leases of automobiles
- car repairs
- soft drinks, candies, and potato chips
- clothing and footwear
- taxi or commercial ride-sharing services
- legal and accounting services
- franchises
- hotel accommodation
- barber and hairstylist services

Zero-rated supplies are supplies of property and services that are taxable at the rate of 0%. This means there is no VAT charged on these supplies, but VAT registrants may be eligible to claim Credits for the VAT paid or payable on property and services acquired to provide these supplies.

The following are examples of supplies taxable at 0% (zero-rated):

- basic groceries such as milk, bread, and vegetables
- agricultural products such as grain, raw wool, and dried tobacco leaves
- most farm livestock
- most fishery products such as fish for human consumption
- prescription drugs and drug-dispensing services
- certain medical devices such as hearing aids and artificial teeth
- feminine hygiene products
- exports (most goods and services for which you charge and collect the VAT in Corada, are zero-rated when exported)
- many transportation services where the origin or destination is outside Corada.

How does the VAT work?

If you are a VAT registrant, you generally have to charge, collect and remit the VAT on taxable supplies (other than zero-rated supplies) you make in Corada and file regular VAT returns to report the tax.

You can generally claim credits on your VAT return to recover the VAT paid or payable on purchases and expenses to the extent you use, consume, or supply them in your commercial activities.

For the consumer, there is no difference between zero-rated and exempt supplies of property and services because tax is not collected in either case. However, one of the differences for you, as the registrant, is that although you do not collect the VAT on zero-rated or exempt supplies of property and services, you can only claim credits for the VAT paid or payable on purchases acquired to make zero-rated supplies of property and services.

Taxable and exempt supplies

Taxable

Other than zero-rated

Charge the VAT (unless the supply is zero-rated)

Claim your Credits

Zero-rated

Don't charge the VAT

Claim your Credits

Exempt

You do not charge the VAT

You cannot claim Credits

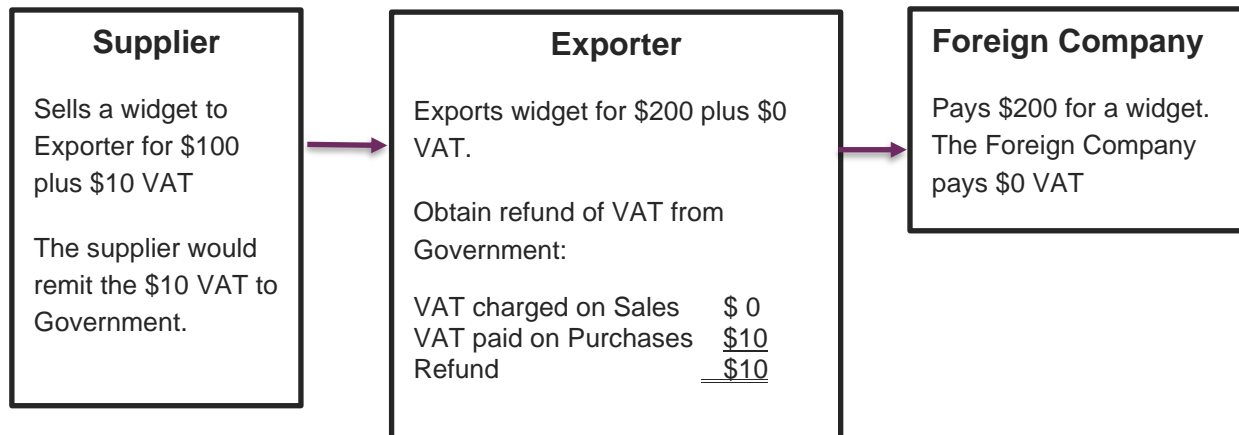
When you fill out your VAT return, deduct your Credits from the VAT you charged. The result is your net tax.

If the total amount of VAT you charged is more than the amount of your Credits, you must remit the difference to the Corada Revenue Agency. If the total amount of VAT you charged is less than the amount of your Credits, you can claim a refund.

VAT returns can be filed on a monthly, quarterly or yearly basis.

What happens if I export?

Export of goods and services are zero rated under Corada's VAT. Exporters can claim refund of input tax credit (ITC) of inputs/input services used in export of goods/services, subject to fulfilment of prescribed conditions.



VAT Offences (excerpt from the Corada Value Added Tax Act)

327(1) Every person who has

- (a) made, or participated in, assented to or acquiesced in the making of, false or deceptive statements in a return, application, certificate, statement, document or answer filed or made as required by or under this Part or the regulations made under this Part,
- (b) for the purpose of evading payment or remittance of any tax or net tax payable under this Part, or obtaining a refund or rebate to which the person is not entitled under this Part,
 - (i) destroyed, altered, mutilated, secreted or otherwise disposed of any documents of a person, or
 - (ii) made, or assented to or acquiesced in the making of, false or deceptive entries, or omitted, or assented to or acquiesced in the omission, to enter a material particular in the documents of a person,
- (c) willfully, in any manner, evaded or attempted to evade compliance with this Part or payment or remittance of tax or net tax imposed under this Part,

(d) willfully, in any manner, obtained or attempted to obtain a rebate or refund to which the person is not entitled under this Part, or

(e) conspired with any person to commit an offence described in any of paragraphs (a) to (c),

is guilty of an offence and, in addition to any penalty otherwise provided, is liable on summary conviction to

(f) a fine of not less than 50%, and not more than 200%, of the amount of the tax or net tax that was sought to be evaded, or of the rebate or refund sought, or, where the amount that was sought to be evaded cannot be ascertained, a fine of not less than \$1,000 and not more than \$25,000, or

(g) both a fine referred to in paragraph (f) and imprisonment for a term not exceeding two years.

Prosecution on indictment

(2) Every person who is charged with an offence described in subsection (1) may, at the election of the Attorney General of Corada, be prosecuted on indictment and, if convicted, is, in addition to any penalty otherwise provided, liable to

(a) a fine of not less than 100%, and not more than 200%, of the amount of the tax or net tax that was sought to be evaded, or of the rebate or refund sought, or, where the amount that was sought to be evaded cannot be ascertained, a fine of not less than \$2,000 and not more than \$25,000, or

(b) both a fine referred to in paragraph (a) and imprisonment for a term not exceeding five years.