



Ministry Of Finance

VAT Department

VAT Rule 2015-006

Requirement of Security



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A. Authority

This Rule is made under section 17 of the Value Added Act, 2014

B. Legislation

All legislative references are to the Value Added Tax Act, 2014 and/or the Value Added Tax Regulations 2014, unless otherwise stated.

C. This Rule applies in respect of the following sections:

- a) Sections, 44, 45, 64, 65, 67, 81 of the VAT Act, and
- b) Regulation 40

D. Application of the Rule

The purpose of this rule is to ensure the protection and eventual collection of potential VAT revenues in situations where the risk of revenue loss presents itself. The general principle is that output VAT should be paid when the VAT registrant files a VAT return, however there are certain situations and categories of taxpayers where the loss of revenue poses a greater risk. To prevent this risk, the law requires that a security or bond must be taken in special circumstances.

This rule shall apply in the following situations:-

- i) Deferment of VAT on the importation of Goods
- ii) Deferment of VAT on the importation of Services
- iii) Potential output VAT due from Holders of temporary business license
- iv) Potential output VAT due from Promoters of Public Entertainment
- v) Release of goods and vehicles that were subject to seizure
- vi) To guarantee processing of objection by the Office of the Comptroller



E. Comptroller's Rule

1. The following rules will apply in the case of Deferment of VAT on the importation of Goods and Services; potential output VAT due from promoters of public entertainment:-

- a) Where a bond has not already been lodged with the Comptroller of Customs, the value of the security shall be equivalent to 100% of the estimated VAT payable in tax filing period
- b) Security shall be in the form of bank guarantee, bond or cash
- c) If the bond held by the VAT registrant extends over period of time, it can be utilized as often as necessary once it is sufficient to cover 100% of the potential VAT due
- d) For deferrals, security shall not be accepted for amount where the VAT due is less than \$5,000
- e) If the VAT due is not paid within the specified time, the security will be called in immediately

2. For the release of goods and vehicles that were subject to seizure, the following rules will apply:

- a) The value of the security shall be equivalent to 100% of the VAT payable
- b) Security shall be in the form of bank guarantee, bond or cash
- c) The security shall be lodged with the VAT Comptroller before the goods or vehicles can be released

3. To guarantee processing of objection by the Office of the VAT Comptroller , the following rule will apply:

- a) The value of the security shall be at least 50% of the amount objected to
- b) Security shall be in the form of bank guarantee, bond or cash
- c) The security shall be lodged with the VAT Comptroller before the objection can be processed

Application of security to output VAT assessed

4. Where security was given in the form of cash but is no longer require it shall be applied as follows:-

- a) First to penalty, interest then tax
- b) If any amount remains, and there is outstanding liability in other areas of Government, the amounts shall be applied to these arrears, and the balance if any, refund.



F. The period for which this Rule applies

This Rule shall apply for the period beginning on January 1, 2015 until it is withdrawn or replaced.

