



Ministry Of Finance

VAT Department

VAT RULE 2015-007

New Business- Input Tax Credit



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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:

Sections 19 (12), 20 and 51 of the Act

D. Application of Rule

This Rule provides guidance in relation to a new business claiming a tax credit on business expenditure prior to that person becoming a registrant for VAT, pursuant to section 19 of the Act. The Act provides a special regime for a person who wants to invest in a new business and who is desirous of claiming credits for VAT paid on business expenditures incurred prior to when that business become liable for registration.

Section 19 (12) of the Act requires that such person should make an application to become a new business registrant in order to benefit from the special regime under section 51 of the Act.

E. Comptroller's Rule

1. A person who is registered pursuant to section 19 (12) and for the purposes of section 51, will not be required to file VAT returns or claim tax credits for VAT paid on taxable supplies or importation until the person commences trading and is fully registered to account for VAT.
2. The registration with the Comptroller should supply the operating name of the project or the trading name that will be used upon the start of business,
3. The new business registrant shall notify the comptroller a minimum of 14 days prior to the commencement of trading and at such time also provide the trading name of the business if it has not been furnished already.
4. The Comptroller will notify the new business registrant of his first tax period and filing frequency.



5. The registrant will be allowed a deduction for input taxes paid or payable by the person in respect of any capital goods acquired or imported and any goods acquired or imported as trading stock prior to becoming VAT registrant.
6. The input tax credit will be given for the specified items which were acquired within a twenty-four month period immediately preceding registration.
7. The registrant will be allowed to claim a tax credit on construction goods and services acquired for the purposes of constructing or repairing premises from which the taxable activity will operate.
8. With respect to trading stock or goods which are to be used for the purpose of conducting the taxable activity, those goods must be on hand at the date the registration takes effect.
9. The registrant will be allowed to claim the respective input tax credits on his first VAT return.
10. No tax credit will be allowed if the registrant does not hold sufficient records to establish the particulars relating to the deduction to be made.
11. The registrant should ensure that he has invoices made in the name of the new business or the operating name of the project.
12. Where the supplies were acquired in the operating name of the project, that officer shall make a declaration that the taxable transactions were made for and on behalf of the intended taxable activity and has not used those goods and services for any purpose other than such taxable activity.
13. The Comptroller may allow a claim in whole or in part as the Comptroller determines to be appropriate in the circumstances of a particular case.

F. The period for which this Rule applies

This Rule shall apply for the period beginning on January 1st 2015 and until June 30th 2015 or whenever withdrawn.

