



Goods & Services Tax Guide

PRICING MECHANISM



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DISCLAIMER

These notes are for guidance only. They reflect the law and the tax position at the time of publication. They do not replace the legislation or affect your right to object and appeal.

If in doubt, you should consult the Inland Revenue Department.

You may find the following documents useful for further explanation on specific issues:

GST Act 2021

GST Regulations 2022

GST Guide

Specific Sector Guides



1.0 INTRODUCTION

The purpose of this guide is to advise potential registrants of the effect of GST on pricing of goods and services. It provides advice on how GST is to be calculated, how to deal with zero rated and exempt supplies and responsibilities of the registrant. Several examples are also provided for different situations that registrants may face.

2.0 PRICING FOR GST

Prices are calculated on all supplies, that is, standard rated, zero-rated and exempt. GST paid in the making of standard rated and zero-rated supplies should not be included in the selling price. However, GST paid in the making of exempt supplies may be included in the selling price.

- **Standard rated supplies:** commercial transactions that are not exempted or zero rated. The positive GST rate for Anguilla is 13%.
- **Zero-rated supplies:** supplies charged at the GST rate of 0% for example, basic food items.
- **Exempt supplies:** no GST is charged on these supplies, for example, medical services and education.

For a complete list of exempt and zero-rated supplies, please refer to the GST Regulations: Schedule 1 Tables 1-5, Schedule 2: Tables 1-8

- GST paid on purchases is recoverable. Examples: taxable goods for resale, building materials, stationeries, and electricity.
- GST is ultimately paid by the consumer but collected by registered persons on behalf of the Government of Anguilla on the mark up at each stage of the supply chain.
- **Registration threshold:** Annual turnover of taxable supplies (standard rated and zero rated) equals or exceeds EC\$300,000.

2.1 What are the responsibilities of a taxable person?

For the purpose of the Goods and Services Tax (GST) Act, any price relating to taxable goods or services, quoted, displayed or otherwise advertised to the general public **must be inclusive of GST**.

Note however, if the taxable person fails to include the GST in the selling price of the goods or services, the selling price will be deemed to include the tax.

The following price displays are acceptable:

- a) The taxable person may indicate by use of price tags, tickets or other means that prices are GST-inclusive.

For example, "\$113 including GST."

- b) Price tags need not separately state the amount of GST included if a notice stating that prices include GST is prominently displayed in the store.

For example, "Please be advised that prices are inclusive of GST."

- c) Supermarkets, department stores and other retail outlets must explicitly show the GST component in the prices and differentiate the categories of items on the till/cash register receipts, that is, whether the items are standard rated, zero-rated or exempt.

2.2 What are examples of unacceptable price displays?

The following price displays are not acceptable:

- a. a notice that the price is GST exclusive

E.g. "\$100 (excluding GST)"; or

- b. a notice that the price is GST exclusive, and that GST will be added.

3.0 CALCULATION OF GST AND PRICES

3.1 How do I calculate GST?

The GST is applied to taxable supplies at the standard rate of 13%, except those that are zero-rated.

To determine how much GST is included in the selling price, the Act sets out a formula (**tax fraction**) to be used.

Example 1 – Tax Fraction

Selling price = \$113

To determine the amount of GST:

$$\$113 \times (13/113)$$

The GST is \$13 and the value excluding GST is \$100.

3.2 How do I calculate the price of my taxable supply?

Every business has a method by which it calculates the selling price of a particular item whether it is goods or services.

The GST Act provides rules to determine the value on which the tax is charged.

Tax Fraction

$$\frac{R}{100 + R}$$

R = GST rate

The tax fraction is then multiplied by the selling price to determine the GST included..

Example 2 – Pricing of Standard-rated Supply

GST REGISTERED PERSONS	COST	VALUE ADDED	SELLING PRICE	OUTPUT TAX	INPUT TAX	Net tax paid to IRD
Importer	\$60.00				\$7.80	\$7.80
Importer	\$60.00	\$40.00	\$100.00	\$13.00	\$7.80	\$5.20
Wholesaler	\$100.00	\$20.00	\$120.00	\$15.60	\$13.00	\$2.60
Retailer	\$120.00	\$80.00	\$200.00	\$26.00	\$15.60	\$10.40
GST Paid by Final Consumer					\$26.00	

The example above shows that GST is not included in calculating the selling price. The GST paid (input tax) at each stage is subtracted from the GST charged (output tax). The entire GST is ultimately paid by the final consumer.

- The importer calculates his selling price excluding the GST paid. He charges the wholesaler GST of \$13 and subtracts the \$7.80 paid at importation at the customs and remits \$5.20 to the IRD.
- The wholesaler calculates his selling price without including the \$13.00 GST paid to the importer. He charges the wholesale/retailer \$15.60 GST and subtracts the \$13.00 GST paid to the importer and remits \$2.60 to the IRD.
- The retailer likewise charges the final consumer **\$26.00** GST and subtracts the \$15.60 paid to the wholesaler. He remits \$10.40 GST to the IRD.
- The consumer pays the wholesale/retailer **\$226.00** (\$200.00 + \$26.00 GST)

Note the following:

- The importer, wholesaler and retailer are registered for GST.
- GST is calculated on the cost of goods plus markup.
- The GST is not a cost to the business and should not be included in the calculation of the selling price.
- The final consumer pays the GST.

GST is a consumption tax. It is not a tax on businesses.

Example 3 – Pricing of Standard-rated Supply

AVG Ltd, is registered for GST and purchased taxable goods for resale costing \$1,150 being \$1,000 for the cost of the goods and \$150 for GST.

AVG Ltd operates on a 50% mark up.

GOODS PURCHASED (EXC GST)	\$1,000.00
MARK-UP (50% OF \$1,000)	\$500.00
SELLING PRICE BEFORE GST	\$1,500.00
GST (13% OF \$1,500)	\$195.00
GST INCLUSIVE PRICE	\$1,695.00

The GST paid on the purchase of the goods \$150 (input tax) should not form part of the value or costing in calculating the selling price. The input tax will be used to calculate the amount of tax payable upon filing the GST return. However, where input tax is not claimable, the amount can be included as part of the business cost.

Please refer to the GST Guide for more information on disallowance and apportionment of input tax.

Example 4 – Pricing of Standard-rated Supply

B & B purchases goods for resale costing \$150 plus 13% GST (\$19.50). Their markup is 50%. What is the selling price before GST and how much GST should he charge?

GOODS PURCHASED (EXC GST)	\$150.00
MARK-UP (50% OF \$150)	\$75.00
SELLING PRICE BEFORE GST	\$225.00
GST (13% OF \$225)	\$29.25
GST INCLUSIVE PRICE	\$254.25

The price B & B should charge for their goods is \$254.25. The GST of \$29.25 is collected on behalf of the Government of Anguilla.

The GST of \$19.50 paid on goods purchased should not be included in determining the selling price as B & B can reclaim it.

Example 5 – Pricing of Zero-rated Supply

GST REGISTERD PERSONS	COST	VALUE ADDED	SELLING PRICE	OUTPUT TAX	INPUT TAX	Net tax paid to IRD
Importer (customs)	\$60.00				-	-
Importer (sales)	\$60.00	\$40.00	\$100.00	-	-	-
Wholesaler	\$100.00	\$20.00	\$120.00	-	-	-
Retailer	\$120.00	\$80.00	\$200.00	-	-	-
GST Paid by Final Consumer						\$0.00

The example above shows the calculation of the selling price for a zero-rated supply. The selling price calculated for the importer, wholesaler and retailer is equivalent to the cost of goods plus mark-up. The GST rate is zero percent (0%). Therefore, the consumer pays \$200, no GST is charged and no GST is remitted to the Inland Revenue Department (IRD) on this transaction.

Example 6 – Pricing of Exempt Supply

GST REGISTERD PERSONS	COST	VALUE ADDED	SELLING PRICE	OUTPUT TAX	INPUT TAX	Net tax paid to IRD
Importer (customs)	\$60.00				-	-
Importer (sales)	\$60.00	\$40.00	\$100.00	-	-	-
Wholesaler	\$100.00	\$20.00	\$120.00	-	-	-
Retailer	\$120.00	\$80.00	\$200.00	-	-	-
GST Paid by Final Consumer						\$0.00

The example above shows the calculation of the selling price for an exempt supply made to a consumer. The selling price calculated for the importer, wholesaler and retailer is equivalent to the cost of goods plus mark-up. Therefore, the consumer pays \$200, no GST is charged, therefore no GST is remitted to the IRD on this transaction.

3.3 What if I offer a cash discount?

If a business offers store-wide sales and discounts, the value on which tax is applied is the sale or discounted selling price. In the example below, the business is offering a discount of 10%. The original selling price (SP) of the item is \$250, that is, \$221.24 + \$28.76 GST.

The 10% discount is applied to the value of the item ie $\$221.24 \times 10\% = \22.12 to derive the discounted selling price of **\$199.12** ($\$221.24 - \22.12). GST at the rate of 13% is applied to \$199.12 to determine the GST chargeable on the discounted selling price, which is, $\$199.12 \times 13\% = \mathbf{\$25.89}$.

Example 7 – 10% Discount Offered

ORIGINAL VALUE OF ITEM	\$221.24
GST (13%)	\$25.89
ORIGINAL SP INC. GST	\$250.00

ORIGINAL VALUE OF ITEM	\$221.24
LESS DISCOUNT (10% OF \$221.24)	\$22.12
DISCOUNTED SP EXC. GST	\$199.12
GST (13%)	\$25.89
DISCOUNTED SP INC. GST	\$225.01

3.4 What if I offer both goods and supplies?

Example 8 – Supply of Both Goods and Services

Browns Garage, a registered person for GST, charges Tom the following to repair his motor vehicle:

- Parts \$100
- Labor to repair vehicle \$300
- Cleaning of vehicle \$50

The total value of goods and services is \$450 which is inclusive of GST. Therefore, the GST fraction (13/113) is applied to determine GST chargeable, that is, $\$450 \times 13/113 = \51.77 . GST chargeable is \$51.77.

3.5 What if I barter?

Example 9 – Bartering

Tom paid \$300 and indicated to Brown's Garage that he will provide accounting services to him for \$150. What is the value on which Brown's Garage should charge GST?

Answer:

The taxable value is \$450, the fair market value. The \$150 forms part of the selling price charged by Brown's Garage and can be treated as bartering. Brown should charge GST \$51.77 on \$450.00. Also, if Tom is a registered taxpayer, he should issue a tax invoice to Brown's Garage indicating GST of \$17.26 on the \$150 for the accounting services.

3.6 What if I sell goods on hire purchase?

Example 10 – Goods Sold on Hire Purchase

B & C is a furniture store. It sells most of its goods on hire purchase.

The following information was ascertained for a television being sold on hire purchase:

- Selling price \$565.
- Finance charge 7.5%
- Deposit 20% of cash price
- Period of repayment – 12 months

The table below sets out the format for computing GST and the total amount to be paid by the customer.

DETAILS	\$
Taxable value	500.00
GST (13% of \$500)	65.00
Tax inclusive selling price	565.00
Deposit	100.00
Net amount due	465.00
Interest Charge (7.5% of \$465)	34.88
Balance to be paid	499.88
Monthly Payments inclusive of GST (\$499.88 / 12)	41.66

Note that:

- Tax is computed on the taxable value of the television and not on the total amount payable, that is, selling price and finance charges;
- the interest charge of \$34.88 is regarded as a supply of exempt services;
- the tax point to report GST of \$65.00 is the date on which delivery of the television takes place;
- the monthly payments of \$41.66 are not subject to GST, they are nothing more than a debtor paying on account.

3.7 What if I supply both standard-rated and zero-rated goods?

Example 11 – Supply of Both Standard-rated and Zero-rated Goods

John Pratt is a grocery store operator who supplies both standard-rated and zero-rated goods. He offers a store-wide discount of 10%. How does John Pratt compute the value for GST?

To ascertain the taxable value, John Pratt would have to find the ratio of standard rated supplies to the total supplies before the discount. Then, apply this ratio to the total amount after discount.

STANDARD RATED	\$500.00
ZERO-RATED	\$300.00
SUB TOTAL	\$800.00
DISCOUNT (10% OF 800)	\$80.00
SUB-TOTAL AFTER DISCOUNT	\$720.00
GST (13% OF 450)	\$58.50
TOTAL AMOUNT PAYABLE	\$778.50

To compute the value for GST:

- Compute original ratio $500/800 = 62.5\%$ (standard rated/total)
- Apply this ratio to the total discounted amount $\$720 * 62.5\% = \450
- The value of standard rated supplies is \$450 and the zero-rated amount is \$270.
- GST would be \$58.50, being 13% of the discounted amount of \$450.00 on standard rated supplies.

3.8 What if I sell meals?

Example 12 – Supply of a Meal in a Restaurant

AUR, a restaurant which specializes in Italian meals, charges \$56 for a meal. The \$56 was the value prior to the implementation of the GST. The restaurant also charges a service charge of 15%. AUR wants to know the value on which tax should be charged.

Answer:

VALUE OF MEAL	\$56.00
SERVICE CHARGE (15% OF 56)	\$8.40
TAXABLE VALUE	\$56.00
GST (13% OF \$56)	\$7.28
TAX-INCLUSIVE VALUE	\$71.68

The taxable value is \$56.00 and the price should be advertised as \$63.28. It is a practice within the industry to apply an amount called service charge/gratuity. The service charge is not taxable under the GST Act, therefore the amount paid by the customer does not form part of the taxable value.



CONTACT US

For more information, feel free to contact the Inland Revenue Department at gst@gov.ai or inlandrevenue@gov.ai

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