

GST 307

# **WHAT IS THE GENERAL SALES TAX**



## WHAT IS GENERAL SALES TAX (GST)

**GST:** A tax on consumer spending collected in stages on business transactions and imports when goods change hands or services are performed.

**FEATURES OF GST:** GST has several features including the scope which deals with what goods and services will be taxed at the standard rate, what will be taxed at a zero rate and what will be exempted.

**EXEMPTION:** Of a particular good or service, for example at the retail stage, implies that no tax will be charged at that stage. However, the tax that has been charged at earlier stages of the production and distribution chain will be passed on the final buyer through the retail stage. The price to the consumer of exempted goods and services will therefore include some element of GST, although lower than non-exempted goods and services.

**ZERO RATING:** A particular good or service implies, in principle that, GST is charged at a zero rate throughout the production and distribution chain. Thus the price to the final consumer will contain no element of GST.

### **DIFFERENCE BETWEEN EXEMPTIONS AND ZERO-RATING**

**EXEMPTIONS:**

- Outside the scope of GST.
- No GST is charged up front but there is an element of 'hidden' tax.
- Agents are not registered and cannot claim GST credit.

**ZERO RATINGS:**

- Within the scope of GST.
- GST is charged at 0% throughout the production/distribution chain.
- Agents are registered and can claim a refund of GST paid on purchases.

Agents will collect GST on behalf of the Government. However, not all traders will act as collection agents, only those above a certain annual turnover limit and they will be required

by law to register for GST. Once registered these agents have to keep a GST account, have to issue and keep tax invoices and have to file GST Returns.

**TAX INVOICE** - Must be issued by a registered agent upon each transaction at the production, manufacturing, and wholesale stages.

At the retail stage, retailers should have in place cash registers programmed to separate goods that are taxable, those that are zero rated and those that are exempt. Additionally, the total taxable sales should display the GST amount. At importation, the Single Administrative Document (SAD) will be used.

A Tax Invoice must contain the following information:

- Date
- Name of Agent
- Tax Identification Number of Supplier and Recipient
- Supplier of Goods
- Recipient of Goods
- The Words "TAX INVOICE"
- Total Amount of Tax Due
- Total Sale

**SELF POLICING:** The unique feature of a GST is that a control method is created by issuance of a Tax Invoice for each sale. The paper trail created makes the system harder to defraud. For example, if a Supplier sells some items for \$1,000.00 and collects 10% GST, the agent would issue a Tax Invoice showing the cost of the items and \$100.00 GST charged. Both Supplier and Purchaser will have a copy of the Tax Invoice. This is where the self-policing element comes in, as the invoice becomes proof of the input tax paid by the purchaser. The GST mechanism provides for a credit of input tax paid on purchases for business use and for the input tax to be offset against the output tax. Without the original copy of the Tax Invoice such credit cannot be claimed.

From the Suppliers side the Tax Invoice will indicate the amount of the output tax. This tax can be offset against the input tax paid.

**TAX RETURN:** - This is a key component in the administration of the tax. All registered agents will be required to file this return monthly.

Returns should be submitted to the Department of GST in Belize City. At the district level, to the Government Sub-Treasuries or district GST Offices.

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