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St. Lucia Implements Value Added Tax

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Report Highlights:
St. Lucia recently introduced a 15 percent Value Added Tax (VAT), replacing several existing indirect taxes. The VAT will be applied to imports and domestic products alike. A reduced rate of eight percent on goods and services provided by Hotels will be applied until April 2013. In addition, some products are either zero-rated or exempt from the VAT altogether. These include many basic staples such as fresh eggs, pasta, unprocessed raw chicken and fish, evaporated & powdered milk, butter, fresh potatoes, unprocessed vegetables, select fresh fruit, rice, flour, cane sugar and others. Overall, the impact on U.S. agricultural trade is not expected to be significant.

General Information:

Oct. 1, 2012 St. Lucia introduced a Value Added Tax (VAT), becoming the last independent country within the Caribbean Community (CARICOM) to do so. The new VAT is not an additional tax, but rather a replacement for several existing indirect taxes including a consumption tax (ranging from 0% to 35%) and an environmental levy (1-1.5%) among others. The following VAT rates are now in effect:

a. standard rate of 15 percent will apply to the supply of most goods and services;
b. A reduced rate of eight percent on the supply goods and services provided by Hotels until April 2013; and
c. A zero percent rate will be applied to the supply of select goods and services. These include live animals (excluding pets), fresh eggs and pasta.

The supply of some essential goods and services are also exempt from the VAT. These include, among others, certain agricultural inputs and: unprocessed raw chicken and fish; evaporated & powdered milk; butter; fresh potatoes; unprocessed vegetables; select peas and beans; select fresh fruit; rice; flour; cane sugar; select preparations for infants; unsweetened biscuits; bread; and table salt. Complete listings of the supplies of goods and services that are either zero-rated or exempt from VAT can be found in the First and Second Schedules, respectively, of the Value Added Tax Act. The Third Schedule of the Act specifies the imported goods and services which are exempt from VAT. The Act can be viewed at Value Added Tax Act.

While zero-rated and exempt supplies in effect are not charged VAT, there is a difference between the two.

• Zero-rated supplies are goods and services that will be taxable but at the rate of zero percent. Although a zero percent rate is charged on supplies to the consumer, a VAT registered person is allowed to claim input tax on purchased/expenses used in making the zero-rated supplies. This mechanism ensures that VAT is completely removed from the supply.

• Exempt supplies are those goods and services that are not directly subject to VAT. This means that VAT cannot be charged on the sale of exempt supplies. Businesses and persons engaged in supplying exempt goods and services cannot claim input tax credit on purchases associated with the exempt supplies.

Taxable imports as well as local supplies of goods and services attract VAT at the same rate. For imported products the VAT must be paid to the Customs and Excise Department together with the other customs duties and taxes at the time of importation or when removed from the warehouse (in the case of bonded warehouses or items attracting duty free concessions). It is important to point out that the application of the CARICOM Common External Tariff (CET) in St. Lucia remains unchanged by the VAT. The VAT due will be calculated on the duty inclusive value plus other taxes. More information on the implementation of the VAT can be found on the website of the St. Lucia VAT Office (St. Lucia VAT Office Website).

The United States is the main supplier of farm products to St. Lucia. While some U.S. products should experience higher landed costs as a result of the VAT, others may experience the opposite. Overall, the impact

on U.S. agricultural trade is not expected to be significant. According to U.S. trade data, in 2011 the United States exported a record high $39 million in agricultural, fish and forestry products to St. Lucia, with nearly three quarters of these exports being consumer-oriented products.