



VAT - Quick reference guide

VAT is a tax on goods and services supplied in the Cook Islands by VAT-registered persons. It may also apply to imported goods and certain imported services. It is charged and accounted for at a rate of 15%. Anyone who carries on a taxable activity, or who intends to do so from a definite date, may register for VAT.

How VAT works

Most goods and services supplied in the Cook Islands have VAT added to the price. The exceptions are goods and services supplied by businesses not registered for VAT, and exempt supplies.

- VAT-registered businesses charge VAT on their sales and income and claim back the VAT on their purchases and expenses.
- To claim the VAT you have paid, you need to complete a VAT return.
- If there's VAT to pay, you pay this amount to Revenue Management. If there's VAT to be refunded, we'll pay you this amount.
- Businesses not registered for VAT can't charge VAT on their sales, or claim back the VAT on their purchases.

Registering for VAT

You must register for VAT if your turnover (sales from taxable activities), including certain imported services you receive:

- was over \$40,000 for the last 12 months,
- or is expected to go over \$40,000 for the next 12 months (ie, \$3,500 per month).

Your returns can be filed monthly online or manually. You can choose to register even if your turnover is less than \$40,000 (but your turnover must be over \$20,000 per annum). Before you register for VAT or as an employer, seek advice from us, an accountant or a tax advisor about whether or not they need to register. There may be financial implications if they need to de-register at a future date.

What to do after you've registered

When you've registered for VAT you must:

- charge VAT at 15% on all your sales, except those exempt from VAT
- give tax invoices to VAT-registered persons within 28 days of being asked to
- keep VAT tax invoices when you buy items for your business
- hold a tax invoice to claim a VAT credit for a supply of more than \$50 (including VAT). Tax invoices must show certain information.

- complete and submit your VAT return and make any payment by the due date
- keep records to support the figures in your VAT returns

What information do I give my customers?

As a VAT-registered person, you'll need to give your customers tax invoices.

The information you put on a tax invoice depends on the value of the goods or services being sold.

- If a sale is less than \$50, you can issue or receive a receipt instead of a tax invoice, eg, a till receipt.
- If you make a sale or purchase of \$50 or more, you'll need to issue or keep a tax invoice.

Make sure your business RMD number is clearly visible on all your business tax invoices.

Supplies exempt from VAT

VAT can't be charged on some goods and service - these are called exempt supplies. The most common ones are:

- Bank fees
- Interest you receive

Remember these handy tips

Its important for records to be easily readable and organised enough for you or anyone to work through them quickly

If you store your records on a computer, be sure to keep back-up copies in case your system breaks down. Its a good idea to keep the back-ups off site



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Your VAT accounting basis

There are two ways of accounting for VAT- payments and invoice. You should choose the accounting basis that best suits your business. If you want to change your accounting basis after you've registered, you need to put your request in writing.

- **Payments basis** - claim VAT when you pay for your purchases and expenses and account for VAT when your customers pay you.
- **Invoice basis** - claim VAT when you receive an invoice, and account for VAT when you issue an invoice or receive a payment, whichever comes first.

How often do I file VAT returns?

Monthly - The taxable period is from the 1st of the month to the end of the month.

Due dates

The VAT filing due date is the 20th of the following month.

If the due date for your VAT return falls on a weekend or public holiday, it will be due the next working day.

Remember, send in your VAT return and payment on time to avoid additional tax.

Additional tax

Additional tax is calculated at 5% for the first late month and 1% for every month that follows. If you need assistance with outstanding returns, please contact our collections team to discuss payment options.

Working out the VAT in a price

Depending on whether the total price includes or excludes VAT, use the following methods.

- For a single VAT-inclusive amount, multiply the total by 3, then divide by 23 to get the VAT portion. If an item or service costs \$100 including VAT, multiply \$100 by 3, then divide by 23 = \$13.04. This is the VAT portion.
- To add VAT to a single VAT-exclusive amount, multiply the total by 15% (0.15). If an item or service costs \$50, excluding VAT, $\$50 \times 0.15 = \7.50 . The VAT-inclusive amount is \$57.50.

Cancelling your VAT registration

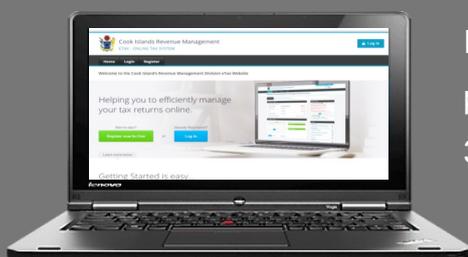
You can cancel your VAT registration if:

- You dispose of your business, or
- You scale it down so your annual turnover is less than \$40,000.
- VAT will need to be paid to Revenue Management on any assets retained.

eTax Online

<https://tax.cookislands.gov.ck>

- Register for online filing with our easy to use, online services
- For even more convenience, you can now pay online via your bank ANZ, BCI or BSP



If you would like more information about our online services, please contact Revenue Management on 29365 in Rarotonga or 31187 in Aitutaki.