



POLICY 47: Value-Added Tax (VAT) and Sewing Machines

The Guyana Revenue Authority continues to provide assistance to the businesses and consumers on various issues regarding the application of VAT. This policy therefore, addresses the treatment of VAT on sewing machines.

Sewing is described as the use of needle and thread to join/bind or repair material, thus, the machines used in this process, are referred to as sewing machines.

Schedule 1, Paragraph 2A (g) zero rates, ***“a supply of sewing machines and of spools, cops, bobbins and other similar products used therewith”***.

Therefore, customers who purchase mechanical sewing machines, electronic sewing machines, computer sewing machines, cordless sewing machines, mini sewing machines, serging machines, all purpose sewing machines which hems, create embroidery and stitches buttons for domestic or industrial uses will not be charged VAT when purchases are made.

Notwithstanding the above, machines which perform individual functions such as, button making machines, Fix-A-button machines and button covering machines, etc. will attract VAT at the standard rate of sixteen percent, when purchased separately, since these do not fall within the definition of sewing machine.

In addition, spools, cops, bobbins and other similar components of the sewing machine, such as ***bobbin case, bobbin winder, machine belts, foot pedal, hand wheel, Presser foot, Presser foot lever, slide plate, spool holders, take up lever, machine thread cutter, tension dicks, throat plate, feed dog, feed drive motor, bight drive motor, machine needle, needle bar, feed gears, machine timing belt, machine drive motor etc.*** will attract VAT at the rate of zero percent.

It must be highlighted that ***spools listed as zero rated, refer to spool holders only***, which feeds the thread to the sewing machine needle. As such, VAT is applicable at the standard rate of sixteen percent on ***spools of thread*** used on the spool holders and on ***spools of films, spools of tape and other products which are sold on spools***, except where these are specifically zero rated or exempt in Schedules I or II of the VAT Act.

Moreover, other accessories used with sewing machines, such as computer software, machine oil, scissors, tailors chalk, seam rippers, etc. are taxable at the standard rate.

Further, the services of repairs and servicing of sewing machines or the parts of the sewing machine ***are taxable at the rate of sixteen percent when supplied by VAT registrants.***

Since zero-rating is a positive tax treatment, registered businesses which sell zero rated supplies are entitled to input tax credit paid on purchases related to the zero-rated supply.

Where at least fifty percent of the amount of the taxable supplies is zero rated, registered businesses may file for a refund of input tax credits attributable to the zero rated supplies on a monthly basis.

Moreover, registered businesses which are involved in the sale of mixed supplies, that is, exempt supplies and standard rated and/or zero rated supplies may file a claim ***every month*** to the Guyana Revenue Authority for a refund of the excess credits ***attributable to the zero-rated supplies only.***

If you require additional information or assistance on VAT, feel free to contact the Value-Added Tax Department situated at 210 'E' Albert and Charlotte Streets or by telephone numbers 227-7567, 227-7672 or 227-3696.