



VAT Policy Corner

VAT Policy 56-Chicken

The Guyana Revenue Authority continues to simplify concerns regarding the application of Value-Added Tax (VAT) to specific goods and services. Numerous calls have been received concerning the treatment of chicken for VAT purposes; this policy therefore outlines the fundamental principles with respect to the supply of chicken.

Schedule I, Paragraph 2 of the VAT Act No 10 of 2005, zero rates a supply of uncooked fresh, chilled or frozen chicken.

Accordingly, registered businesses will charge VAT at the rate of zero percent when sales are made, thus, there will not be any dollar value attached as VAT to the price of uncooked fresh, chilled or frozen chicken when purchases are made by customers.

In addition, the zero rating is applicable to local and imported chicken and on chicken foot, giblets and other parts of the chicken when these are sold separately.

On the other hand, when chicken is baked or fried chicken, or cooked in any other form and dishes containing chicken as an ingredient, chicken salad etc., which are sold by VAT registered businesses, the standard rate of sixteen percent will apply.

Also, live chicken including baby chicks and chicken products such as chicken sausages; chicken franks etc. will attract VAT at the standard rate of sixteen percent.

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.

Furthermore, 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 the zero rated items account for at least fifty percent of the amount of the taxable supplies.

Therefore, if 50% or more of the taxable supplies of a registered person are taxed at 0%, that person can claim a refund of the credits attributable to the zero rated supplies each month.

On the other hand, if the input tax credit attributable to the zero rated items account for less than 50%, the excess credit which remains for a tax period, will be refunded after being carried forward and used

as input tax creditable in six consecutive tax periods. However, the taxpayer must apply for the refund in the form and with the documentation specified in regulations.

Please be advised that the zero-rating of chicken became effective from January 27, 2007 and as such, VAT registered businesses will be allowed input tax credit for VAT on purchases made prior to the zero-rating of chicken.

Moreover, businesses will be required to account for and pay any output tax (VAT charged to customers) to the GRA prior to chicken being zero-rated.

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