



VAT Policy Corner

The Value-Added Tax Department is extending an arm to help businesses and consumers understand what items are taxable and provide clarity with respect to the conditions regarding the taxable nature of some items.

Some person have been charging VAT on items that are zero-rated while others have not charged VAT where the tax should have been charged.

The VAT Department will use this corner as one means of ironing out the uncertainty of what is taxable and what is not or the extent to which they are taxable. Today the issue with regard to milk will be addressed:

Policy 1 – VAT and Milk

The following forms the guiding principle with respect to the zero-rating of milk:

Schedule 1, paragraph 2 (q) (v) of the VAT Act zero-rates “**cow’s milk** and **milk powder**, but not including other milk such as **flavored** milk”.

The VAT Department re-emphasizes that no VAT is to be charged on **cow’s** milk whether in box, cans or bags once it is not **flavored** milk (flavorings include strawberry, banana, chocolate etc.).

Evaporated milk, liquid cow’s milk inclusive of Ultra High Temperature (UHT) milk and fully or partially skimmed milk are forms of cow’s milk and, as such, along with powdered milk (skim and full cream) are **zero rated**.

The department has taken the position with the understanding that while most milk including evaporated and UHT milk go through a process to reduce the fat content, prolong shelf life or in some instances, where naturally occurring vitamins (A, D, E and K) have been lost through the reduction of fat, to reintroduce such vitamins, **they are essentially cow’s milk**.

Condensed milk, on the contrary, falls into the category of **flavored** milk and is, therefore, subject to VAT.

Importers, wholesalers and **retailers** are urged not to charge VAT on milk, regardless of the brand and added vitamins, except where the milk is **flavored** or

is of another kind other than cow's milk. For example, goat's milk and soy milk are of a different type and will therefore be subject to VAT.

The VAT Department will continue to make public its policy on controversial zero-rated and 'Vatable' items so that the public can experience the benefits of Tax.

Persons who still have queries with respect to VAT are encouraged to write to the Commissioner, VAT and Excise Tax Department, 210'E' Albert and Charlotte Streets, Bourda for clarification.