



Antigua and Barbuda Sales Tax (ABST)

Antigua and Barbuda Sales Tax

The Likely Effect on Prices to Consumers

ABST will be introduced on January 29, 2007 and will replace the following taxes.

Consumption tax

Telecommunication tax

Restaurant and catering services tax

Hotel Guest tax

Hotel (bed-night) tax

Hotel Guest Levy

Consumer information

The Antigua and Barbuda Sales Tax is a tax levied on many goods and services and will be introduced on 29 January 2007. The standard rate for ABST is 15% which will be applied on most goods and services. However there are a number of goods and services (a few examples are sugar, meat, flour, tuna, chicken, fresh fruit, fresh vegetables, residential electricity, the supply of water) on which the ABST will be applied at a rate of 0% and many services (for example medical and dental services) will be exempt from the ABST.

How will ABST affect the price of goods on the 29 January 2007?

Currently the price of most goods includes a hidden Consumption Tax that would have been applied upon import at a rate varying from 5% to 50%. Effective January 29, 2007 most goods that businesses will have in stock will already have had the consumption tax applied. Consequently it is expected that, during the early days of the ABST implementation, the price of taxable goods will experience a **“one time” increase**.

Businesses have been encouraged to run down stocks in preparation for the introduction of the ABST so that the number of situations where both the Consumption Tax and the ABST will be applied to goods will be limited. The duration of the **“one time increase”** will depend on how fast merchants sell goods having consumption tax paid prior to January 29, 2007.

The price of taxable goods imported, manufactured, or released from Customs bond on or after January 29, 2007 should include only ABST and a reduction in many prices are likely to occur. The prices for all the items that have been zero-rated (a few examples are sugar, meat, flour, fish, poultry, fresh fruit, fresh vegetables) **should not increase** on January 29.

ABST Implementation

With the implementation of the ABST and the elimination of the Consumption tax the tax rate applied to goods will change. There will be some items where:

1. The consumption tax will be eliminated and there will be no ABST applied

In this case prices should not change on January 29 and once pre-ABST inventories are exhausted the prices for items in this category are likely to decrease since these items will not attract ABST or consumption tax.

2. The rate of the ABST will be less than the rate of Consumption Tax

The current consumption tax rate varies between 5% and 50%. ABST will be levied at 15%. Therefore for those items where the difference between the consumption tax rate and the ABST rate is significant (for example in cases where the consumption tax rate is 50%) prices should be lower, once pre January 29, 2007 inventories are exhausted. However, in cases where the difference is small (for example in cases where the consumption tax rate is 20%), prices are unlikely to change once inventories are exhausted.

3. The rate of the ABST will be the same as the Consumption Tax rate

Prices are likely to increase slightly once inventories are exhausted.

4. The rate of the ABST will be higher than the Consumption Tax rate

Prices are likely to increase slightly once inventories are exhausted.

Who Can Charge ABST?

Only businesses registered for ABST with the Inland Revenue Department **can** charge ABST and they must display their certificate of registration in a noticeable place in their business, so that consumers can view and be assured that the business must charge ABST on all taxable items.

Additional Information?

Should you require any additional information or clarification regarding the Antigua and Barbuda Sales Tax (ABST) please refer to:

Web Site: www.ab.gov.ag

Inland Revenue Department: Newgate Street, St. John's

Email: ABSTINFO@Gmail.com