



# ANTIGUA & BARBUDA

## SALES TAX

### (ABST)

ACCOUNTING FOR ABST

## 1. OVERVIEW

As a registered person you should:

- Charge and collect tax on the supply of taxable goods and services you make;
- Account for the tax on a ABST return;
- Pay the amount payable as stated on your ABST return;
- File the return and pay the tax by the due date.

The tax must be in respect of transactions which happened within a taxable period. A tax period is one (1) calendar month. The return and payment must be submitted to the Commissioner of Inland Revenue (ABST) within one (1) calendar month following the month of the tax period.

To compute the amount of tax payable, for the tax period, you must subtract your total input tax from your total output tax. This must be done on your ABST return. You must pay the difference, if any, which is also stated on your ABST return. If your input tax is greater than the output tax, the excess credit can be used to offset future ABST liabilities or you may claim a refund of the balance after six (6) months of the reported return. For persons who provide mainly zero-rated supplies, the law makes provision for a monthly claiming of such refund.

## 2. RECORD OF OUTPUT AND INPUT TAX

In a business operation, there are two directions in which activities flow; *in* and *out*.

Your major input relates to the purchase of goods and services needed (input/inflow) to facilitate the supply of goods and services you are providing (output/out flow).

Your input is regarded as expenses incurred for the proper running of your business.

Your output is regarded as what you are selling or providing for which an amount (consideration) is received.

Similarly input tax relates to ABST paid or payable by you on your business input, and your output tax relates to tax charged by you when you are providing/selling taxable goods or services.

## **2.1 How do you record my output tax?**

Output tax may occur by:

- Sale of taxable items;
- Self supply;
- Free supplies - items given away;
- Issue of debit notes in respect of taxable supplies;
- Receipt of credit note in respect of taxable supplies;
- Recovery of bad debts;
- Adjustments (error etc)

## **2.2 Output tax from sale/supply of goods and services**

As a registered person, you must charge ABST when you supply taxable goods or services. You must issue a ABST invoice for sales made to another registered person. In the case of sales to other persons, you should issue a sales receipt for each transaction. Each day, a summary should be prepared showing the sales for standard rated, lower rate, zero-rated and exempt sales.

Each day, or any other time convenient to you within the tax period, you should transfer the ABST charged on your supplies, to an output tax work sheet and or ABST account.

### **2.3 Goods taken for private use or other non-business use**

If you give goods away or take goods from your stock for private use (self supply) or for any other similar purposes, you must record:

- What the goods were;
- The date you took them from stock;
- The value of the goods;
- The rate and amount of tax chargeable.

For each taxable period you must add up the ABST shown in these records and transfer the amount to your ABST worksheet/accounts, as output tax.

### **2.4 Debit note issued by you**

If you issue a debit note to your customers or clients, which relates to the supply of taxable items, then the corresponding output tax should also be transferred to your ABST Account/worksheet.

### **2.5 Credit note received from your supplier**

If you receive a credit note, in respect of a previous taxable supply, from your supplier, the ABST stated if any, on the credit note forms part of your output tax and should be transferred to your ABST account/worksheet.

### **2.6 Bad debt recovered**

If you had taken an input tax credit for bad debt written off, any amount recovered in respect of that debt, is deemed to include output tax. The amount

received is treated as tax inclusive. The output tax should be computed as follows:  $r / (100 + r)$  whereby  $r$  is the tax rate e.g. 15/115.

### Example 1

Debt recovered \$1250. Output tax to be reported:

$$\$1250 * 15/115 = \$163.04$$

## **3. HOW DO I RECORD INPUT TAX ON PURCHASES AND EXPENSES?**

Your input tax can come from several sources. The main sources are from local purchases and imports.

Sources of Input tax

- a) Domestic purchases;
- b) Importation of goods;
- c) Debit notes received;
- d) Credit notes issued;
- e) Bad debts;
- f) Adjustments (error etc)

### **2.1 Domestic purchases and imports:**

Your suppliers' ABST invoices will give you all the details you need. Just make a list of the invoices in the same order as you keep them. This allows individual invoices to be easily identified. You may find it useful to number the invoices as you receive them and record the same numbers against the entries in your listing.

It is from your tax invoices you will ascertain how much input tax credit will be allowable for the tax period. It is recommended that you utilize a worksheet or working paper that captures the basic information needed to prepare your ABST return.

Your working papers should be in the form of a work sheet (spreadsheet format) or a similar design. This will depend on the medium being used to record the transactions. The information should form the basis for the amount input tax to be claimed.

The working papers should contain the following

- Date of the invoice;
- TIN and name of the supplier;
- If possible, a summary description the goods and services acquired;
- The value of your purchases excluding ABST;
- The amount of ABST charged;
- Any credits received from suppliers.

In respect of goods imported:

- Custom entry number;
- Date of clearance;
- Taxable value; and
- The amount of ABST paid

The total amount of allowable input tax should be transferred to your ABST Account/worksheet.

## **2.2 Credit notes issued**

Where you have issued a tax invoice made a return and,

- (a) The supply is subsequently cancelled;
- (b) The value reduced
- (c) The terms or transaction altered, or
- (d) The goods returned,

you should give the recipient a tax credit note. Such note should be clearly marked **credit note** and contain information similar to that required for a tax invoice. Also it should make reference to the original tax invoice, specifically the date and invoice number.

The amount by which the tax has been reduced can be claimed as input tax.

### **2.3 Debit notes received from your supplier**

Where you have been given a debit note relating to taxable supplies purchased from your supplier, it increases the total amount of input tax that you are entitled to claim for that taxable period in which it is received. The supplier is required to provide a *tax debit note* giving details of the adjustment. Here the debit note should make some reference to the source tax invoice.

The effect of the debit note is to increase the value of your purchase and possible your input tax.

## 2.4 Bad debt

If you make taxable supplies of goods or services, to a customer, for which you were not paid, you may be able to claim an input tax credit for the tax on the amount that has been written off as bad debts.

You may be able to claim relief as input tax on bad debts provided various conditions are met.

The conditions may vary over time. The general rule is:

- You have made taxable supplies and account for that tax to the Commissioner on your ABST return;
- You must keep a copy of the original tax invoice;
- You have written off the debt in your accounts; and have satisfy the Commissioner that you have made reasonable efforts to recover the amount due; and
- The debt is at least owed for a period of twelve months.

To claim an input tax credit, the following formula should be applied to the total debt:  $r (100 + r) * \text{total debt}$ .

### Example 2

A debt of \$2300 is regarded as bad and has been written off, the amount for input tax credit is  $15/115 * 2300 = \$300$

## 2.5 Apportionment of input tax<sup>1</sup>

Some person may make both taxable and exempt supplies. If you pay ABST on general expenses you may have to apportion the amount so paid. ABST on

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<sup>1</sup> Please refer to tax guide on Mixed Activity/Partial Exemption

general expenses, for apportionment, is where the ABST is not directly related to either the taxable or exempt supply. Some examples are:

- accounting fee for the business;
- telephone;
- stationery.
- Electricity
- etc

ABST paid on these expenses are apportioned using the ratio of taxable sales to total sales for the tax period.

***Example: 3***

ABST on general expenses \$1000.00

Taxable sales \$30,000.00

Total sales \$90,000.00

To compute allowable amount for ABST:

$$30,000/90,000 \times 1000 = 333.33$$

For more information please refer to the tax guide relating to mixed activity.

#### **4. ABST worksheet & Account**

For most operations, it is advisable that a daily worksheet is used to record a summary of the daily sales and the ABST, the ABST is then transferred to an ABST account.

The ABST account is a summary of output and input tax and ABST payable for the tax period, as shown in example 6.

The information in your ABST worksheet/account will help you to complete your ABST return at the end of each tax period.

**Example 4 - Output Tax worksheet**

DATE	INVOICE #	STANDARD RATED	OTHER RATE	ZERO-RATED	EXEMPT	ABST	TOTAL
<b>Total</b>							

*These totals should be transferred to the ABST worksheet or return*

**Example 5 – Input tax worksheet**

INVOICE/CUSTOM DATE	INVOICE/ENTRY	SUPPLIER'S ABST#	SUPPLIER	TAXABLE VALUE	ABST	TOTAL
<b>Total</b>						

*These applicable totals should be transferred to the ABST worksheet or return*

### Example 6 - ABST Account

Input Tax	\$	Output Tax	\$
Domestic purchases		Supply of goods/services	
imports		Debit note issued	
Debit note received		Credit note received	
Credit note issued		Bad debt recovery	
Bad debt		Goods taken for non-business use	
adjustments		adjustments	
Total Input tax allowable		Total output tax	
		Less Input tax	
		<b>Tax payable/creditable</b>	

## 5. Penalties

You should be aware that there are penalties for:

- a) Failure to keep proper records;
- b) Failure to file returns on time;
- c) Failure to issue tax invoices

### ABST Guides.

For additional information, please refer to other ABST Guides and our website [www.ab.gov.ag](http://www.ab.gov.ag)

## ACCOUNTING FOR ABST - FLOWCHART

