

Press Release

Bishops has produced a comprehensive commentary suggesting several changes to the VAT Green Paper, proposing a tax which would have a better chance of success in the Turks and Caicos Islands, today, Tuesday, 19 June 2012.

Providenciales-based international law firm Bishops has submitted a 34-page report to the TCI Government following the firm's careful consideration of the VAT Green Paper.

"We are attempting to inject some critical professional opinion into the public consultation process which ends today. If we are going to have a VAT, then the VAT should be fair and equitable for all residents." said Bishop's Senior Tax Analyst Sonia Monnier. "We have provided a considered, expert opinion to the Government and highlighted several essential things that need to be done to ensure that VAT implementation works effectively and fairly for everyone here in the TCI." Some highlights of the document include:

1. Zero rate food:

Bishops argues that Basic Foods should be a zero-rated supply. Importers will be able to claim their ITC on imports and a cost reduction of 10% to 13% should be reflected in purchase price for consumers. Mrs Monnier's point in this regard is that TCI residents need to be protected from the effects of VAT on their already high cost of living.

2. Hotel and Restaurant Tax

A further suggestion is the complete abrogation of the HRT in order to minimise the logistics and simplify the process while minimizing the financial aspects because there will be no financial burden to administer to different system.

3. Reduction in custom duties

The tax specialists also suggest a flat rate of VAT on imports and a major change to the system which would greatly simplify the administration and might even allow the

repeal of the Customs Duty in large part. Why administer two parallel systems on imports? The major benefit will be one administration, lower costs for the TCIG and improved flexibility.

4. Administrative issues

Transparency of the TCIG in administering the VAT is a key issue. The commentary deals with many issues, including insistence on the fact that refunds must be paid on time, with penalties against TCIG for late payments. Online access to VAT registration and policy information is also detailed in the document.

5. Tourism sector/Manufacturers

Specific considerations were provided to ensure fair application of the VAT for those particular sectors. In addition, specific issues were addressed in order to avoid double taxation and encourage foreign investment and ensure that investments in these sectors are regionally competitive.

6. Administrative tribunal

Many countries have specialised tax tribunals. According to Mrs Monnier, what the commentary dubs as the “TCI Tax Court” would be an efficient and impartial way to deal with disputes and would lessen the burden of the already busy TCI Courts.

A synopsis of the Bishops Comments is available in the News section of their website at www.bishopslegal.com