

# Value Added Tax (VAT)

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# What is VAT?

**VAT** is an indirect tax that is collected throughout a supply chain. That means suppliers, distributors, manufacturers, and retailers collect tax on all qualifying sales. VAT is controlled on a national level.



# VAT in the USA



# VAT in the USA

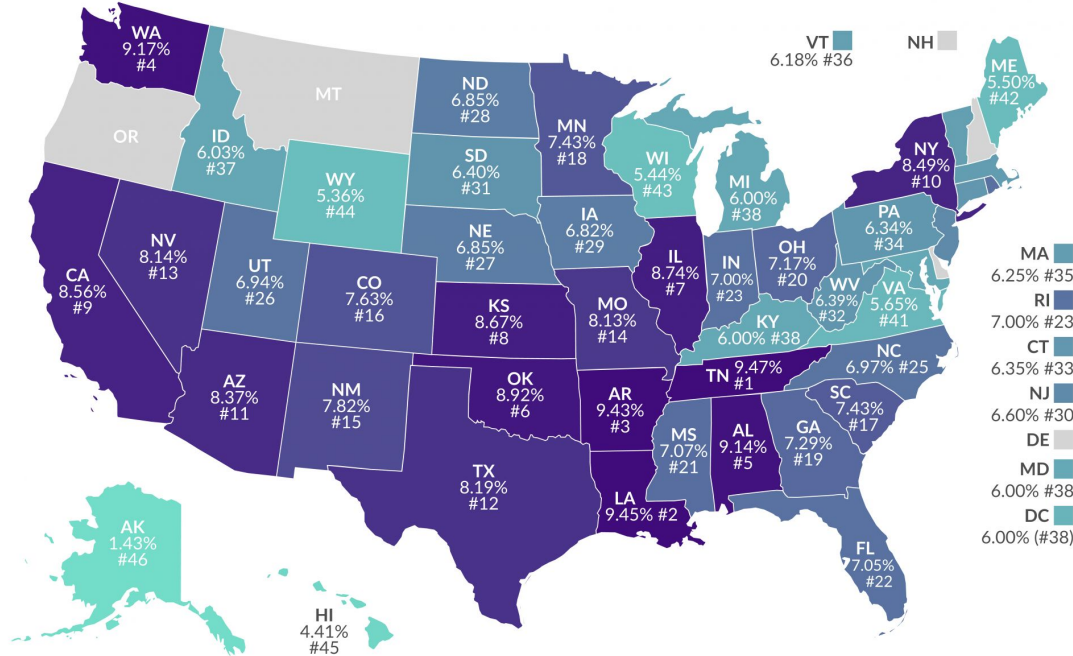
The United States does not have VAT but instead has a sales tax that varies from state to state.

**Sales Tax** is exclusively collected by a retailer during the final sale of a good or service and it is paid by the end consumer. It is only collected a single time, when the good or service is sold to someone for final use.

# VAT in the USA

## How High Are Sales Taxes in Your State?

Combined State & Average Local Sales Tax Rates, January 1 2019



\* Puerto Rico is the only part of the USA that has a VAT and it is 10%

# VAT in the USA

## Pros to adopting VAT

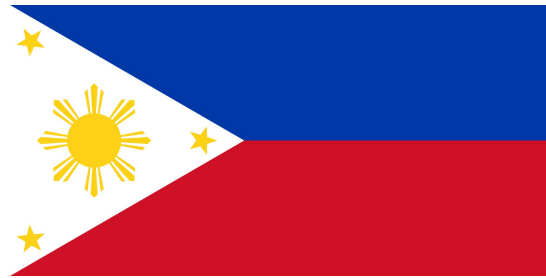
- Based on Consumption
- Neutrality
- Strong Business Incentives
- Reduce Obstacles
- Better Balanced Tax System

## Cons to adopting VAT

- Regressive
- Excessive Spending
- Lack Countercyclical Balance
- Inflationary Tendencies
- “Hidden” Tax



# VAT in the Philippines



# VAT in the Philippines

**A business tax**



**Indirect tax passed on to the buyer**



**A consumption tax**



**A legal obligation**





# VAT in the Philippines

## INPUT VAT



buyer pays on purchase from  
VAT registered

## OUTPUT VAT



Seller passed on to the buyer

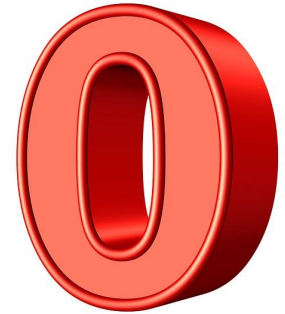
## VAT DUE AND PAYABLE

Output VAT less Input VAT

# VAT in the Philippines

A certain tax rate of (0 to 12%) as added up to the selling price of a goods or services or properties as well as importation in the Philippines

1. **VATABLE - 12%** on gross selling price or gross value in money of the goods or properties sold bartered or exchange
2. **VAT ZERO RATED (0%)** - export sale of service, foreign currency denominated sales or those zero-rated as approved by special laws (PEZA or economic zone registered companies)
3. **VAT EXEMPT** - agricultural and marine Products, educational services, medical, dental, optical services



# VAT in the Philippines



<b>X COMPANY</b> ADDRESS VAT Reg. TIN - 000-000-000-000			
<b>SALES INVOICE</b>		<b>NO: 100</b>	
CUSTOMER: CUTE FRIENDS INC.  ADDRESS:		DATE: June 5, 2018	
<b>DESCRIPTION</b>	<b>QUANTITY</b>	<b>UNIT PRICE</b>	<b>AMOUNT</b>
SUPPLIES	2	30.00	60.00
VATABLE	53.57	Sales, VAT Inclusive	60.00
VAT-Exempt		LESS: VAT	6.43
VAT Zero-Rated		Sales, Net of VAT	53.57
TOTAL SALE	53.57	Less: SC/PWD Discount	
12% VAT	6.43	Amount Due	53.57
GROSS SALE	60.00	Add: VAT	6.43
		<b>TOTAL AMOUNT DUE</b>	60.00

**VAT**

**This is what the customer will pay**

# VAT in the Philippines



## Who are Required to File VAT Returns?

- Any person or entity who, in the course of his trade or business, **sells, barters, exchanges, leases goods or properties and renders services** subject to VAT, if the aggregate amount of **actual gross sales or receipts** exceed **Three Million Pesos (Php3,000,000.00) or (50,000 Euros)**
- A person required to register as VAT taxpayer but failed to register
- Any person, whether or not made in the course of his trade or business, who **imports** goods

# VAT in the Philippines



Average Value Added Tax Rates Across Emerging Asia	
Country	Average VAT Rate
Thailand	7%
Cambodia	10%
Indonesia	10%
Malaysia	10%
Vietnam	10%
Philippines	12%
India	12.5%
China	17%



# VAT in Mexico



# VAT in Mexico

- General rate of 16% ,
- Certain activities and products have a 0% VAT rate.
- The VAT rate applied to people that live in border cities is equivalent to a 8% VAT rate.



# VAT in Mexico

- The people that have to pay VAT are the people and companies that do any of the following activities within the Mexican territory:
  - Alienate goods
  - Provide independent services
  - Grant the temporary or permanent use of goods
  - Import goods or services.





# VAT in Mexico

- Some of the products that are charged with the 0% VAT rate include the following:
  - ▷ Alienation of not industrialized animals and vegetables.
  - ▷ Medicines
  - ▷ Fertilizers, plaguicides, herbicides, etc, that are meant to be used for agriculture.
  - ▷ Providing services to agricultural purposes
  - ▷ And the export of certain products as provided by the VAT laws in Mexico.

# VAT in Mexico

Aside from the both rates that are applied in Mexico, there are certain activities that are exempt of a VAT rate, for instance, public transport.





# ESSCALAND

Value Added Tax



# ESSCALAND Demographics

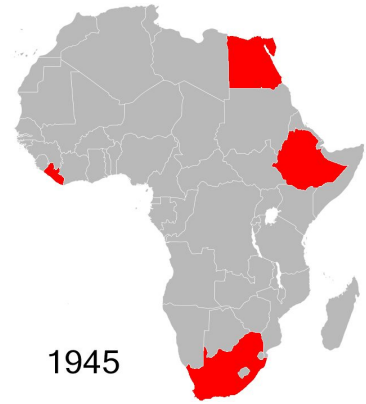
Population: 60 million

Gini Score: 35

Total Tax Burden: 40%

Growth: 2%

Developed Country



1945



# What We've Decided



## #Basic

**V** - ALUE

**A** - DD

**T** - EN (10%)

Focusing on **#Basic necessities** to live a wonderful life in ESSCALAND

**10%** on All Goods and Services

**VAT EXEMPT** on all #Basic needs to survive

# What We've Decided

ESSCALAND tax system applies the following:

1. Adequacy
2. Simplicity
3. Transparency
4. Administrative

# VAT Exemptions

## Food

- All types of food (for human consumption)

## Healthcare

- All types of medicines (except illegal drugs)
- All types of Healthcare and Insurance Services

## Education (from nursery to PHD)

## Transportation

- Public Transportation (Buses, Trains, Trams)

## Houses/Condominiums/Apartments (not for rental)



# Higher VAT Rates

Higher tax rates **(20%)** for the following:

- Alcoholic Beverages (Low Alcohol and Spirits)
- Tobacco
- Private cars, airplanes, yacht, boat
- Hotels, Motels, Rest Houses, Pension Houses, Inns, Resorts
- Night Clubs, Pubs, Bars and Casinos





# At ESSCALAND...

Exemptions on VAT for all the **#Basic** needs of every family will give them enough **savings** for their future and **higher purchasing power** for other goods and services.

People will also **spend more time with their family** instead of going to bars and pubs.





**Thank You**

# References

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VALUE ADDED TAX

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TAX LAW ON ADDED VALUE - MEXICO

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