



Goods & Services Tax Guide

**FINANCIAL AND
INSURANCE SERVICES**

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DISCLAIMER

These notes are for guidance only. They reflect the law and the tax position at the time of publication. They do not replace the legislation or affect your right to object and appeal.

If in doubt, you should consult the Inland Revenue Department.

You may find the following documents useful for further explanation on specific issues:

GST Act 2021

GST (Amendment) Act 2022

GST Regulations and Amendment Regulations 2022

GST Guide

The background features a collage of financial data. On the left, a list of numbers is partially visible, including 48.72, 12.10, 260.82, 588.64, 2,672.18, 1,376.91, 252.72, 32.87, 4.20, 59.32, 15.30, 0.4, 242.42, 72.77, and 16. Below this list, a box labeled 'Basic Earning' contains the value '0.28'. On the right, a 3D bar chart with blue bars is shown, with labels 'jun', 'jul', and 'aug' below it. Above the bar chart, the text '1 year' is visible. At the bottom right, a line graph with a blue line is partially shown. A pair of glasses is positioned at the top of the page.

1.0 INTRODUCTION

This guide is intended to provide businesses supplying financial and insurance services with pertinent information on the Goods and Services Tax (GST) and should be read in conjunction with the GST Act 2021, the GST (Amendment) Act 2022, the GST Regulations and Amendment Regulations 2022 and the GST Guide.

2.0 FINANCIAL SERVICES

Most financial and insurance services supplied to persons or businesses in Anguilla are exempt supplies and therefore not subject to GST. Providers of exempt supplies cannot register for GST nor recover any GST paid on purchases.

Financial and insurance services supplied for consumption outside Anguilla are considered 'export of services' and are zero-rated. Providers of taxable supplies (zero-rated or standard-rated) can register for GST and recover GST paid on business purchases and expenses.

If a business/person provides a mixture of exempt supplies and taxable supplies, the GST paid on purchases is apportioned using the Partial Exemption Method. *Please refer to the GST Guide for more information on this method.*

GST RATES

There are two (2) rates for GST:

- Zero-rated - 0%
- Standard-rated - 13%

DEFINITION OF FINANCIAL SERVICES

As per the GST Act, financial services mean:

- Granting, negotiating, and dealing with loans, credit, credit guarantees, or any security for money, including the management of loans, credit and credit guarantees by the grantor;
- Transactions concerning money, deposit and current accounts, payments, transfers, debts, cheques, or negotiable instruments, other than debt collection and factoring;
- Transactions relating to financial derivatives, forward contracts, options, and similar arrangements;
- Transactions relating to shares, stocks, bonds, and other securities, excluding custody services;
- Management of investment funds;
- Long term insurance, general insurance and reinsurance, transactions as contemplated by the Insurance Act, including related services performed by long term and general insurance brokers and long term and general insurance agents; and
- Other financial services provided by banks within the scope of their banking business.

Schedule 2 of the GST Regulations lists financial services that are taxable for GST purposes:

- accounting and record keeping services, including a financial clearing system that may be part of the settlement process, the posting of financial transactions to customers' accounts, the maintenance of customers' accounts, and the rendering of services ancillary to the services just described;
- legal, actuarial, notary, and tax agency services (including advisory services) when rendered to a supplier of financial services or to a customer of that supplier of financial services;
- safe custody for cash, documents, or other items;
- data processing and payroll services;
- debt collection or factoring services;
- trustee, financial advisory, and estate planning services;
- leases, licenses, and similar arrangements relating to property other than a financial instrument.

3.0 EXEMPT FINANCIAL SERVICES

The following are examples for financial services that are exempt from GST:

- Personal accounts and savings or deposit accounts
- Credit Card payment and services
- Mortgage or personal loans
- Overdraft facilities
- ATM/ABM services
- Bank drafts/ wire transfers / foreign currency exchange
- Sale of shares, stocks, bonds and other securities
- Pensions and collective investments
- Payment of dividends by a company

Other

Provision of credit with a supply of goods

If goods or services are supplied on credit, and a finance charge is included in the total amount payable by the buyer, the finance charge is exempt from GST.

A business/person does not need to be a financial service provider to levy finance charges, for example, a credit department of a retail shop can provide credit facilities on which financial charges are levied. If a fixed fee is charged for repossession of goods, re-warehousing or any such transaction, such fees are subject to GST.

4.0 TAXABLE FINANCIAL SERVICES

The following are example of financial services that are subject to GST at the standard rate of 13%:

- **Payroll Services**
- **Accounting and Tax Agency Services**
- **Custody Services**

Account administration, share registrar, trading and settlement services, tax support etc provided for a fixed fee or commission basis.

- **Shareholder Management**

This includes assisting a company with the management of shareholders and other financial stakeholders, payment of dividends, providing shareholders with annual reports and arranging general meetings.

- **Intermediation Services**

For example, a financial investment advisor may act as an intermediary in obtaining a loan for a customer or a lawyer may assist a home buyer in obtaining a mortgage. The advisor's and lawyer's fees for providing this assistance are subject to GST.

- **Debt Collection and Management**

Services related to debt recovery, litigation, and management of the recovery of amount due from debtors are subject to GST. This includes sales accounting services under a factoring agreement and other services relating to factoring.

- **Trustee Service**

Trustee services are subject to GST if the benefit of the service is derived in Anguilla.

- **Sale of Numismatic and Investment Coins**

Coins, collectors' pieces, investment articles and items of numismatic interest are subject to GST on the face value of the items. Examples include:

1. Proof coins
2. Maundy money
3. Precious or base metal coins

- **Cash Handling Services**

Charges for cash handling such as counting, sorting and safe storage.

- **Payment of Household Bills**

If over-the-counter payments are accepted for household bills and there is a charge for this service, the charge is subject to GST.

WHAT FINANCIAL SERVICES ARE SUBJECT TO GST AT THE ZERO RATE?

Supply of financial services provided to persons outside of Anguilla is generally zero-rated. However, the supply is subject to GST if it relates to immovable property in Anguilla such as land and property.

5.0 INSURANCE SERVICES

5.1 WHAT INSURANCE SERVICES ARE EXEMPT FROM GST?

Schedule 2 (2) (b) of the GST Act exempts a supply of insurance services in the course of carrying on an insurance business in or from Anguilla limited only to:

- Life insurance, annuities and savings products;
- Insurance related to the international transport of passengers and goods; and
- Health insurance.

Examples of exempt insurance services are policies that:

- Guarantee the repayment of the principal and all associated interest payments to the bondholders in the event of default.
- Cover loss of money within the insured business from business interruption.
- Cover a business against theft of own money, securities etc by employees
- Protect employers against liability in the working place and employee work-related injuries/illness.
- Cover medical and life insurance for employees of a company or organization.
- Cover medical insurance for individuals and their family members.
- Cover workers/employees to recover from work-related injuries and illnesses.
- Cover physical loss or damage to goods while in transit by any method of conveyance or while being stored.
- Cover goods or property lost, damaged or stolen while in transit from one place to another.

5.2 WHAT INSURANCE SERVICES ARE ZERO RATED?

A supply of insurance services for consumption outside Anguilla is not subject to GST except in the following circumstance: -

Insurance services relating to immovable property or equipment such as land, tourism accommodation developments and machinery located in Anguilla are subject to GST at the standard rate of 13% irrespective of where the insured person is resident.

5.3 WHAT INSURANCE SERVICES ARE SUBJECT TO GST AT THE STANDARD RATE?

Premiums

Premiums on insurance services other than those exempt and offered without liability are subject to GST at the standard rate of 13%. Taxable insurance services include but are not limited to:

- **Property insurance**, for example, policies that cover:
 - o Machinery, equipment etc during the construction period,
 - o Losses or damages to other person's property
 - o Losses or damages to jewellery, precious stones etc.
 - o Losses resulting from burglary
- **Motor vehicle insurance**
 - o Policies that cover accidental loss or damages to motor vehicles

Where the premiums cover both taxable and exempt insurance services (including liability), the full premium is treated as exempt and therefore not subject to GST. Examples of these are policies that cover:

- o Losses to third parties' properties or persons as a result of an accident.
- o Property insurance that covers a policy holder's belongings and liability.
- o Third-party injuries during construction.
- o Homeowner buildings from all risks.

Reinsurance

The application of GST on reinsurance is the same as the respective insurance services, for example reinsurance related to exempt supplies is exempt and reinsurance relating to taxable supplies is taxable for GST purposes.

Insurance agents/brokers

Premiums for taxable insurance services are subject to GST. Insurance agents/brokers who meet the GST registration threshold must register to charge, collect and remit the GST.

Actuary and adjuster Service

The services of an insurance actuary or adjuster are subject to GST. Insurance actuaries and adjusters who meet the GST registration threshold must register to charge, collect and remit the GST.

6.0 APPLICATION OF GST TO INSURANCE AND FINANCIAL SERVICES

Commissions

Commissions received from the supply of taxable financial and insurance services are subject to GST, if the person/agent receiving the commission is registered for GST.

Reverse charge

Importation of financial and insurance services are subject to the reverse charge mechanism as if the importer had supplied these services to itself. The importer must therefore account for the GST payable on the imported services.

The reverse charge mechanism is where the recipient of an imported service is liable to pay the GST instead of the supplier (non-resident).

For example, if a GST registered financial or insurance service provider imports taxable services, the provider (importer) will calculate GST payable on the value of the services and report it on the GST return as output tax and at the same time, declare it as input tax. This application will have a net effect of \$0 and is merely an accounting transaction.

Conversely, unregistered providers will remit GST payable on importation of services to the IRD within 20 days of importation.

Indemnity Payments

If a GST registered business suffers damages or loss and makes a claim in relation to any tangible asset including building, inventory, office furniture, equipment and machinery, the insurance company will indemnify the business net of GST and remit GST withheld to IRD. The registered business will then recover the GST withheld on its next GST return. If the claimant is not registered for GST, the insurance company will pay the full amount of the claim to the claimant.

7.0 GENERAL INFORMATION ABOUT GST

7.1 WHEN AM I REQUIRED TO REGISTER FOR GST?

You are required to apply for GST registration if:

- within the last 12 months, the value of your taxable supplies equaled or exceeded EC\$300,000; or
- within the next 12 months, you expect the value of your taxable supplies to equal or exceed EC\$300,000.

You must apply for registration within 15 days of meeting the requirements, even if you only provide zero-rated supplies, and the Comptroller will register you within 10 days of your application.

7.2 WHAT HAPPENS ONCE I AM REGISTERED?

Once you are registered for GST, you will be issued a Certificate of Registration and certified copies of the certificate if you operate from branches and divisions. The certificate must be displayed in a prominent place at each location where you conduct business. This is so that your customers can verify that you are registered and can charge the GST. You will also be provided with a Tax Identification Number (TIN) which must be included on any return, tax invoice, sales receipt or any other document prescribed.

A taxpayer register will be maintained by the Comptroller containing the relevant details of all GST registered persons. The register will be accessible to the public at all reasonable times and available on the IRD website at www.ird.gov.ai.

7.3 WHAT IF I FAIL TO REGISTER?

If you are required to register and failed to apply for registration, you will be registered from the date determined by the Comptroller. You will also be required to account for GST and remit tax payable on your supplies even if you have not charged it. There are also penalties associated with failure to apply for registration.

7.4 CAN I BE EXEMPTED FROM REGISTRATION?

Yes. If you meet the registration requirement, you may apply to the IRD Comptroller for exemption from registration, if all or most of your sales are zero-rated and you would be in an excess credit position on a continuing basis.

7.5 WHAT IS THE TIME OF SUPPLY FOR GST?

The time of supply is the earliest of the date when:

- a. payment is received;
- b. an invoice is raised;
- c. goods are delivered or made available to the recipient; or
- d. performance of services is completed.

TIME OF SUPPLY

The time of supply, also referred to as the tax point, is the date a sale or purchase is considered to take place. It is important to establish the time of supply as this will determine when you account for GST on sales and when to claim input tax credits.

7.6 WHEN DO I NEED TO ISSUE A TAX INVOICE?

You issue a tax invoice when you provide goods and/or services to another GST registered person.

A GST tax invoice must show the following (Item 1 of Schedule 3):

- (a) the words “tax invoice” in a prominent place;
- (b) the name, address, and GST registration number of the registered person making the supply;
- (c) for a supply to a registered recipient, the name, address, and GST registration number of the recipient of the supply;
- (d) the individualized serial number and the date on which the tax invoice is issued;
- (e) a description of the goods or services supplied;
- (f) the quantity or volume of the goods or services supplied; and
- (g) the consideration for the supply in Eastern Caribbean Currency, excluding GST, the rate of GST, the total amount of the GST charged and the consideration including GST.

The following are not tax invoices:

- pro-forma invoices
- credit card statements
- letters, emails or other correspondence

7.7 WHEN DO I NEED TO ISSUE A SALES RECEIPT?

You issue a sales receipt when you provide goods and/or services to an unregistered person.

A sales receipt must contain the following (Item 2 of Schedule 3):

- (a) the words “sales receipt” in a prominent place;
- (b) the name, address, and GST registration number of the registered person making the supply;
- (c) the individualized serial number and the date on which the sales receipt is issued;
- (d) a description which identifies the goods or services supplied;
- (e) for each GST rate applicable, the total consideration for the supply in Eastern Caribbean Currency, including or excluding the GST amount; and
- (f) the GST rate and amount.

A signed insurance policy or contract suffices as a tax invoice or sales receipt once the particulars outlined above are captured in the policy or contract.

7.8 WHAT CAN I CLAIM AS INPUT TAX?

You can claim input tax on purchases including utilities used in providing your taxable supplies or in the course of business. For example, related services, office supplies, furniture and equipment, communication and electricity.

Only GST registered persons can claim input tax.

7.9 WHAT CAN'T I CLAIM AS INPUT TAX?

You cannot claim input tax on goods or services that relate to exempt supplies or are not used in the course of the business.

The GST Act also disallows input tax, in most cases, on passenger type vehicles, entertainment and membership subscription.

INPUT TAX

Input tax is the GST paid on business purchases used in making taxable sales/supplies including:

- goods and services purchased in Anguilla; and
- goods and services imported.

OUTPUT TAX

Output tax is the GST charged on sales, services or supplies.

7.10 HOW DO I ACCOUNT FOR GST ON MY MONTHLY RETURN?

i. You declare your total output tax and input tax on your monthly GST return

All sales and purchases must be declared in the tax period in which they occurred.

ii. Your input tax is offset against your output tax

a. If your output tax exceeds your input tax, the difference is what you remit to the Comptroller.

b. If the input tax exceeds the output tax, you will be in an excess credit position which you will offset for three (3) consecutive periods and if remaining excess credit exceeds EC\$1000, you may apply for a refund.

You must file your GST return on or before the 20th of the following month or the next working day if the 20th falls on a weekend or public holiday. See Tax Calendar for due dates.

Please note that you are required to file a nil return if you had no transaction in a given month.

7.11 WHEN CAN I CLAIM A REFUND OF GST?

If your input tax exceeds your output tax in any tax period, the excess credit is carried forward to the next 3 consecutive tax periods. You may claim a refund if after the third tax period, the remaining excess credit exceeds EC\$1000. If you choose not to claim a refund or the amount is less than EC\$1000, the excess credit will continue to be carried forward to future GST returns.

8.0 TRANSITIONAL ARRANGEMENTS

Transitional rules determine whether and when a supply, acquisition or import is subject to GST.

Service Contracts/Policies

- If services are rendered for consideration periodically, GST is only applicable to the supply that is made after the commencement of GST.
- If the contract/policy is entered into after the commencement of GST and it does not specifically provide for GST, the value of taxable supplies in that contract/policy is deemed to include GST and the provider must account for the tax due on those supplies.





CONTACT US

For more information, feel free to contact the Inland Revenue Department at gst@gov.ai or inlandrevenue@gov.ai.

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