

## **2018 Budget Statement:**

### **VAT on Capital Equipment and VAT Exemption on Goat and Sheep Meat**

With reference to the Budget Statement 2018, the following points are noteworthy:

#### **1) VAT on Capital Equipment Arising From Change of Policy**

- 998. VAT registered operators are allowed to claim input VAT on capital goods used to manufacture taxable supplies.
- 999. However, in circumstances where the manufacturer changes use of the capital goods to produce exempt supplies, the plant and equipment is deemed to have been disposed, hence output VAT is payable.
- 1000. The decision by Government to exempt previously zero-rated supplies, such as margarine, eggs, rice implies that plant and equipment used by registered operators was deemed to have been disposed, resulting in an unplanned output VAT liability.
- 1001. In order to mitigate the impact of the VAT liability on affected suppliers, it is proposed that the Deeming Provision shall not apply where change of use is emanating from Government policy.
- 1002. This measure takes effect from 1 January 2018.

#### **2) VAT Exemption on Goat and Sheep Meat**

- 1003. Whereas other meat products such as beef, chicken and pork are exempt from VAT, meat of sheep and goats is liable to a 15% standard rating of VAT.
- 1004. This scenario makes goat and sheep meat more expensive relative to other meat products.
- 1005. In order to level the playing field, the 2018 Budget proposes to exempt goat and sheep meat from VAT with effect from 1 January 2018.