

## **BUYER CREATED INVOICES**

VAT OFFICE POLICY STATEMENT [VP011]

(Issued April 2001)

### **Introduction**

A registered person who supplies goods or services (to another registered person) is required to issue a tax invoice within 28 days of the recipient requesting one.

In accordance with normal commercial practice it is the supplier of goods or services who determines the value of the supply so generally it is the supplier who issues the tax invoice.

However there are certain types of supplies where the recipient of the goods or services determines their value at the time the supply is made, e.g. produce sold to a produce marketing board. In such cases it is more practical for the recipient of the supply to issue the tax invoice.

### **Buyer Created Tax Invoices**

Subject to certain conditions, a VAT registered recipient of a supply of goods or services is entitled to issue the tax invoice in respect of that supply. The term for this type of invoice is "buyer created tax invoice".

Section 21(2) of the Value Added Tax Act of 1998 sets out the conditions for buyer created tax invoices, these are:

- (a) Written approval from the VAT Office is required prior to the issue any buyer created invoices.
- (b) The invoice must show the normal tax invoice particulars (including the name and registration number of the supplier of the goods).
- (c) In each case that a buyer created tax invoice is to be provided, both the supplier and the recipient must agree that the supplier will not issue a tax invoice in respect of that supply.
- (d) The supplier must be provided with a copy of the buyer created invoice for each supply.
- (e) Each invoice must contain the words "Buyer Created Tax Invoice" in a prominent place.

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### Non-Registered Suppliers

In cases where goods or services are purchased from a non-registered person by a person with approval to issue buyer created invoices, the invoices raised should not display the words "Tax Invoice" and should not charge VAT.

A registered person who wishes to issue a buyer created tax invoice to a supplier must first establish if that person is registered for VAT. If so, the supplier's registration number and other details should be obtained for inclusion on the tax invoice. (Generally, obtaining details of the supplier's registration number is sufficient proof that the supplier is registered for VAT.)

### Two Separate Supplies Recorded on the One Buyer Created Tax Invoice

Where a buyer created tax invoice records supplies from two separate parties (as shown in the example invoice below) the full amount for each supply must be shown on the tax invoice, i.e., there should not be any "netting off" of the two amounts.

For example, the two supplies recorded on the invoice below are:

- (i) Copra Sales Ltd has supplied copra valued at 50,625 vatu (inclusive of VAT) to the Produce Marketing Board, and
- (ii) The Produce Marketing Board has provided handling services valued at 2000 vatu.

<b>BUYER CREATED TAX INVOICE</b>	
26 May 1999	Invoice No. 01
Supplier: <b>Copra Sales Ltd</b> <b>PO Box 9000</b>	
<b>Port Vila</b>	<b>CT No. 10000</b>
Invoice to: Produce Marketing Board PO Box 8000 Port Vila	
	CT No. 20000
Copra (3000 kgs @15vt per kg)	45,000
Plus VAT @ 12.5%	<u>5,625</u>
Total	<u>50,625</u>
Less handling fee (incl. VAT)	2,000
<i>Payment Required</i>	<u>48,625</u>

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This example shows that although there is only one invoice and one net payment to be made by the Produce Marketing Board, there are clearly two separate supplies being made.

Note: If both parties are making supplies (as in this example) then both CT Numbers must be shown on the invoice.

The VAT returns for the two parties, on the basis of this invoice, would be completed as follows:

Copra Sales Ltd

Box 5 (Sales)	50,625
Box 11 (Expenses)	2,000

Produce Marketing Board

Box 5 (Sales)	2,000
Box 11 (Expenses)	50,625

**Substantiate VAT Claims Using Buyer Created Invoice**

The buyer created invoice can be used like any other tax invoice to support claims by registered persons for VAT paid.

In our previous example, the invoice supports claims for both the Produce Marketing Board (50,625 vatu for the purchase of the copra) and Copra Sales Ltd (2,000 vatu paid for handling fees).

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