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CALCULATION OF VAT

TAKE NOTICE AS FOLLOWS:-

1. Following the amendment of Section 8 of The Value Added Tax Act No. 4 of 1998 on the rate of VAT from 20 to 18 percent of the taxable value which take effect from 1st September, 2009 will also effect the previous formula in calculating VAT amount.
2. The new formula in calculating VAT amount are as follow:-

VAT rate 18%

$$(a) \text{ VAT amount} = \frac{18}{118} \times \text{Amount inclusive VAT at 18\%}$$

OR

$$\text{VAT amount} = \frac{9}{59} \times \text{Amount inclusive VAT at 18\%}$$

$$(b) \text{ Amount exclusive VAT} = \frac{100}{118} \times \text{Amount inclusive VAT at 18\%}$$

OR

For Example

Amount inclusive VAT at 18% = 118, 000,000/=

- $\text{VAT amount} = \frac{18}{118} \times 118, 000,000 = 18,000,000$

- $\text{Amount exclusive VAT} = \frac{100}{118} \times 118, 000,000$

$$= 100,000,000$$

NOW THEREFORE

In calculating the VAT amount please apply the above formula so as to meet the

