

Discounted VAT Rate Day

Business Guidance



INTRODUCTION

This information provides guidance on the conditions for participation and the reporting requirement for the Discounted VAT Rate Days (DVRD) Friday 28th August, 2026 and Saturday 29th August, 2026. Approved businesses will be allowed to charge VAT at the rate of 5% on the sale of goods only.

Which Businesses are Eligible?

Eligibility for DVR Day

All **VAT-registered businesses** that have filed **all required tax returns** and have **no outstanding fees, licences, tax liabilities, penalties, or interest** owing to the Inland Revenue Department (IRD) or Customs and Excise Department (CED) prior to **DVR Day** may qualify to participate in the programme.

Businesses that meet these requirements and have no outstanding returns or liabilities may complete the **DVRD Application Form** and submit it to the Inland Revenue Department. Registration is now open and remains open until **August 14, 2026**. The Department will advise applicants of the status of their application in writing.

Please note that where a business has filed a **VAT objection**, eligibility will depend on compliance with the conditions of that objection, including the payment of **50% of the tax in dispute**.

Items Eligible/Non-Eligible

Tangible items that are presently subject to 17% VAT will qualify for the discounted VAT Rate on DVR Day with the exception of Vehicles, Guns, Ammunition, Cigarettes and Alcoholic Beverages. Alcoholic Beverages **NOT** eligible include but are not limited to Wine, Brandy, Vodka, Whiskey, Gin, Rum, Liqueurs, Cordials, Beer, Guinness, Royal Stout, Shandy Carib and Smirnoff Ice.

Non-tangible items such as the supply of professional services will continue to be subject to the 17% VAT rate. Services such as legal fees, restaurant supplies, rent, tickets for the game of chance (lottery/raffles), top-ups and phone cards are **NOT** eligible for the reduced rate.

Items eligible **MUST** also be available for sale and immediate issuance or delivery to the customer on DVR Day. Orders for items not in stock **DO NOT** qualify.

Filing Requirements (Cont'd)

Additionally, the Value of Supplies at 5% must be reported in the VAT form provided via the SKN MyGovernment Portal on that line that reads Value of Reduced Rate (5%) Supplies (VAT Inclusive) for the tax period August 2026. Any sales at standard rate, exempt or zero, on the DVR Day should be reflected on the usual lines of the VAT Return. The Sales Report should be submitted no later than September 11, 2026.

Are Items sold on Credit and Hire Purchase eligible for the reduced rate?

YES! Eligible goods sold under a credit or hire purchase agreement will qualify for the reduced rate of 5% if the sale is concluded on the DVR Day. Businesses are reminded that the VAT on the sales under credit terms must be reported in its entirety whether or not payment has been made in full during that tax period.

Rules governing returns and exchanges.

If a customer buys a good at the special 5% rate during the DVR Day and exchanges it on the same day for another good, the 5% rate will still apply. The special rate will NOT apply if the exchange is done after the DVR Days, Friday 28th August, 2026 and Saturday 29th August, 2026.

If a customer buys a good during the DVR Day and returns the item after the Day for a credit on the purchase of a different item, the 17% VAT Rate would apply to the sale of the newly purchased item, even if it would have been eligible for the 5% Rate during DVR Day.

If a customer buys an item before the DVR Day, but returns the item during the DVR Day and receives credit on the purchase of a different item, the reduced rate shall NOT apply on the sale of the new item.

Contact Information

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