

Partial Exemption — worked example:

Step 1

For GST Return 01/01/2009 to 31/03/2009:

GST incurred on purchases and expenses used or will use solely in making taxable supplies:
£482

This is taxable input tax and can be deducted in full through your GST Return.

Step 2

GST incurred on purchases and expenses used only to make exempt supplies:	£1206
Imports used only to make exempt supplies: £69,000 x 3% =	£2070
	<u>£3276</u>

This exempt input tax and is not deductible.

Step 3

The remaining - residual - input tax used in making both taxable and exempt supplies:

Apportionment calculation:

Value of taxable supplies x 100 = % (rounded up to the nearest whole number)
Value of all supplies

$$\frac{£441,200}{£559,750} \times 100 = 78.82\%, \text{ rounded up to } \mathbf{79\%}$$

Amount of residual input tax, suppliers in Jersey =	£2,080
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Imports used to make both taxable and exempt supplies = £2,200, x 3% =	£ 660
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Rental of photocopier from UK – used to make taxable and exempt supplies, £4,500 x 3% =	<u>£1,350</u>
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Total residual input tax =	<u>£4,090</u>
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Deductible proportion = £4,090 x 79% =	£3,230
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This is taxable input tax and should be added to the figure from Step 1 above.

Step 4: Annual adjustment.

The business above has a total turnover below £10 million and is eligible to apply to carry out a single annual calculation. If it does not then the annual adjustment would be:

	Taxable sales	Total sales	% of taxable sales
Quarter 1:	£ 441,200	£ 559,750	79%
Quarter 2:	£ 467,340	£ 570,060	82%
Quarter 3:	£ 513,380	£ 630,500	82%
Quarter 4:	£ 462,540	£ 592,000	79%
Totals	<u>£1,884,460</u>	<u>£2,352,310</u>	

Apportionment calculation:

$$\frac{£1,884,460}{£2,351,860} \times 100 = 80.12\%, \text{ rounded up to } \mathbf{81\%}$$

Residual Input tax

Quarter 1	£ 4,090	x 79% =	£ 3,230
Quarter 2	£ 3,930	x 82% =	£ 3,220
Quarter 3	£ 5,030	x 82% =	£ 4,210
Quarter 4	£ 2,840	x 79% =	£ 2,240
Total	<u>£15,890</u>		<u>£12,900</u>

The adjusted amount of residual input tax that may be deducted is £15,890 x 81% = £12,870

As this figure is **less** than the amount, £12,900, deducted during the year, the difference, £30, is additional tax due to the Treasury and must be **deducted** from your input tax on the next GST Return.

If the adjusted amount is greater than the amount of residual input tax you have deducted during the year, the difference is additional input tax due to you and should be added to your input tax on the next GST Return.