

VAT & Sales Tax

Money

Two ways of taxing consumption, and how they differ.

VAT / GST

- Charged at every stage of production
- Businesses reclaim what they pay
- Only the end consumer bears it
- Usually included in displayed prices
- Common in Europe, UK, Australia

Sales tax

- Charged once, at final sale
- No reclaim mechanism
- Rates vary by state and city
- Usually added at the till
- Common in the United States

THE DIFFERENCE THAT MATTERS

Both are consumption taxes with the same end result. The collection mechanism is what differs.

VAT registration is compulsory above a turnover threshold, and often worth doing voluntarily below it if customers are businesses.