

# *Helping you navigate Africa's VAT landscape*

*Overview of VAT in  
Africa – 2014*



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# Preface

Africa, a continent with 54 countries, presents a rather complex environment to regulate tax legislation. In the PwC Tax Survey (2013), matters of attaining certainty, clarification, and verification concerning the application of the tax laws emerged as one of the most significant challenges.

Since the previous VAT publication, Africa's economy has rapidly escalated as various markets are on the rise competing to satisfy growing consumer needs. In addition to these emerging markets, regulating tax laws are fast becoming problematic for MNE's as well as SME's as tax legislation now have to be adjusted to compliment the influx in the economy. However, this process is a long-winded one. As a result, businesses entering the market are faced with imprecise challenges of having to adapt to the various African countries' tax regulations. These challenges can be quite daunting as these businesses will suffer harsh consequences if they are not "Africa ready".

This VAT Guide seeks to ease the burden of monitoring tax laws, or businesses concerned about VAT liability in Africa. With our extensive Indirect Tax network in Africa, PwC can assist businesses involved in trade, or those considering investments in Africa.

The VAT overview is based on the law effective 1 January 2014, and outlines the VAT principles regarding VAT rates, VAT registration, output tax, input tax, exemptions, zero-rating, international trade, VAT records and record-keeping, as well as general rules pertaining to other indirect taxes in the respective countries.

Helping you Navigate Africa's VAT Landscape was put together by VAT specialists in the following African countries: Botswana, Cameroon, Cape Verde, Chad, Congo, Côte d'Ivoire, Equatorial Guinea, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Morocco, Mozambique, Namibia, Rwanda, Senegal, South Africa, Swaziland,

Tunisia, Uganda, Zambia, and Zimbabwe.

As the guide is intended to provide an overview of the application of VAT in Africa, it does not contain a comprehensive summary of all VAT principles that apply in each country. Specific advice on any VAT or indirect tax issues can be obtained by our VAT and other Indirect Tax specialists in the respective countries. The contact details of Tax specialists can be found in the country chapters respectively.

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April 2014

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## *Table of contents*

Botswana	2
Cameroon	10
Cape Verde	16
Chad	24
Congo	32
Côte d'Ivoire	40
Equatorial Guinea	44
Gabon	48
Ghana	54
Guinea	60
Kenya	66
Lesotho	76
Madagascar	82
Malawi	88

Mauritius	94
Morocco	100
Mozambique	106
Namibia	116
Nigeria	124
Rwanda	132
Senegal	140
South Africa	144
Swaziland	154
Tanzania	162
Tunisia	170
Uganda	176
Zambia	186
Zimbabwe	192

# Botswana



## Introduction

Value-added tax (VAT) was introduced in Botswana with effect from 1 July 2002 to replace Sales Tax. Botswana's VAT legislation is contained in the Value-Added Tax Act, 2000.

The VAT system is administered by the Commissioner-General of the Botswana Unified Revenue Service (BURS). BURS is responsible for the administration and enforcement of revenue laws, including income tax, customs and excise, capital transfer tax, the alcohol levy etc.

## Rates and scope

The standard VAT rate of 12% applies to all supplies that do not qualify for an exemption or zero-rating. There is no other higher or reduced VAT rate.

VAT is imposed on taxable supplies and the importation of goods and services into Botswana. Any supply that is not listed as an exempt supply is a taxable supply, other than the following:

- A supply of services by an employee to an employer by way of employment;
- The payment by the State of a subsidy under a subsidy scheme to defray expenses, or the payment of a bursary;
- The provision of goods on consignment and the transfer of goods to a person in a representative capacity; and

- The supply of goods where the input VAT claim was originally denied, e.g. passenger vehicles.

A taxable supply includes a supply between related parties for no consideration, or a supply of goods for use only as trade samples, or supplies involving change of use.

## VAT registration

### Compulsory registration

Any person (including the State, local authorities, sole proprietorships, partnerships, natural persons or joint ventures) that makes taxable supplies, in Botswana Pula, of BWP500 000 (approximately USD57 000) or more per annum, or expects that this limit will be exceeded during the following 12 months, is required to register for VAT. Auctioneers are required to register for VAT irrespective of their annual taxable turnover.

Compulsory registration is not required if the Director is satisfied that the value of taxable supplies exceeded BWP500 000 solely as a consequence of the following:

- The cessation, or a substantial and permanent reduction in the size or scale, of a taxable activity carried on by the person; or
- The replacement of capital goods.

A taxable activity is an activity that is carried on continuously or regularly in Botswana or partly in Botswana (whether or not for a pecuniary profit) that involves in whole or in part the supply of goods or services (other than an exempt supply) to another person for a consideration.

### Voluntary registration

The Commissioner-General of BURS has the discretion to register a person with a turnover below BWP500 000, if an application is made. Voluntary registration will be



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denied if the Commissioner-General is satisfied that the person has no fixed place of abode or business or the Commissioner-General believes that the person will not keep proper records or will not submit regular and reliable tax returns as required under the Act.

### Group or branch registration

There is no group registration in Botswana. Divisions or branches of a company may register separately, subject to certain conditions, e.g. maintenance of separate accounting systems, and if transactions can be distinguished between the different locations.

### Non-residents

The same rules of registration apply to non-residents if they are deemed to conduct a taxable activity in Botswana that is, or is expected to be, in excess of an annual value of BWP500 000.

There is no specific VAT requirement that a non-resident applying for VAT registration in Botswana must appoint a fiscal representative in Botswana. However, for income tax purposes every company carrying on business in Botswana must be represented by a public officer residing in Botswana.

### Application for registration

Before applying for VAT registration, a person should secure a tax identification number (TIN) from BURS. Thereafter, VAT application form VAT 001.1 must be completed and submitted to BURS. The application form should be accompanied by the identity documents of the directors; work and residence permits of the non-resident directors; all company registration documents; list of assets; etc. The VAT registration form requires the person's banker in Botswana to confirm the existence of a bank account in Botswana.

Failure to apply for registration when required is an offence and attracts high penalties, which may include fines and/or imprisonment. Any entity that should register will be deemed to have been registered and will then be liable for the VAT. The registration number format is based on the income tax file reference of the entity.

### Deregistration

A registered person may apply in writing to deregister at any time that the taxable supplies of such person fall below BWP500 000, and are expected to remain below this level, at the beginning of a period of twelve months. An application for cancellation of registration can be made only after the expiry of two years after the date of registration.



## Output tax

### Advertising and prices

Prices quoted or advertised must always be VAT inclusive. A pre-tax price may be quoted, but the amount of VAT due and the VAT-inclusive cost must then be shown equally prominently. Any price charged by a registered person in respect of a taxable supply is deemed to include the VAT charged on the supply, whether or not VAT has been included in the price. Output tax is calculated by applying the tax fraction (12/112) to the VAT-inclusive price charged.

### Exempt supplies

No VAT is charged on exempt supplies, and VAT paid on inputs acquired for purposes of making exempt supplies may not be deducted as input tax. A person making only exempt supplies is not carrying on an enterprise and may not register for VAT purposes.

Exempt supplies include, but are not limited to, supplies of the following goods or services:

- Financial services, including loans, credit, credit guarantees or any security for money, but excluding transactions rendered at a fee or commission;
- Educational services, including courses, school bus services, and meals provided by an exempt educational institution to its students;
- Medical services provided by a Government-operated or -aided medical facility;
- Long-term residential letting and hostel accommodation on a non-profit basis;
- Leasing or renting of land for erecting a dwelling;
- Certain prescription drugs;
- Sectional title management levies;

- Domestic passenger transportation by road or rail, other than transportation of tourists;
- Cash grants made by or received from the State;
- Supply of condoms;
- Donations; and
- Supply of various agricultural farming implements.

### Zero-rated supplies

Adequate documentation must be retained to satisfy the Commissioner-General that the supply qualifies for zero-rating. The zero-rated supplies include (but are not limited to) supplies of the following goods or services:

- Exportation of goods;
- Goods that are outside Botswana at the time of the supply;
- Goods supplied under a rental agreement or by charter party exclusively in an export country;
- Goods or services supplied to a branch or main business outside Botswana, which can be separately identified and for which an independent system of accounting is maintained;
- International transport services;
- Services supplied directly in connection with land outside Botswana;
- Services supplied directly in respect of movable property situated outside Botswana, and goods temporarily imported;
- Certain services supplied directly to a non-resident, non-registered person, other than through an agent relating to foreign-going aircraft or a container temporarily imported;
- Repair of a railway train operated by a non-resident, non-registered person;
- Services physically rendered outside Botswana;
- Services supplied to a non-resident who is outside Botswana when the services are rendered, except services rendered directly in connection with property situated in Botswana or when the supplier refrains from undertaking an activity in Botswana;
- Services relating to intellectual rights for use outside Botswana;
- Taxable activity supplied to a registered person as a going concern;
- Sorghum or maize meal supplied for human consumption, but not when furnished as a meal or as cooked or prepared food;
- Goods or services for the personal or official use of the President or any dependent member of his family;
- Millet grain, millet meal, wheat grain, maize cobs, flour, sugar and Setswana beans in their natural state and not mixed with other products;
- Pesticides;
- Fertilisers; and
- Tractors when acquired by a person operating a farming business.

## Input tax

### Input tax allowed

Input VAT incurred on goods and services acquired solely for the making of taxable supplies is generally deductible as input tax. The tax authorities are very particular that valid tax invoices be held for claims made, and that the claims are made in the correct VAT period.



### **Input tax expressly denied**

VAT paid in respect of the following goods or services cannot be deducted as input tax:

- Passenger vehicles designed or adapted to seat up to nine persons (including double-cab vehicles but excluding safari vehicles), except when acquired by a dealer or vehicle-letting business;
- Entertainment expenditure (including hotel accommodation, meals for business purposes, and for staff welfare, e.g. tea and coffee), except where acquired by an entertainment business, or where entertainment is supplied to passengers in the course of a transportation service; and
- Membership subscriptions relating to sports, social or recreational organisations.

Input tax is also denied if the required tax invoice or other supporting documentation is not held by the registered person, the input tax is not claimed in the correct VAT period, or the input tax is in connection with exempt supplies.

### **Partial exemption**

Where VAT incurred relates to the making of both exempt and taxable supplies, an apportionment method acceptable to the Commissioner-General must be used to allocate the input tax credit between the exempt and taxable supplies. The default method is based on turnover. Where taxable supplies are 90% or more of total supplies, all VAT incurred on acquisitions may be claimed as input tax.

### **Change of use adjustments**

When assets on which VAT has been claimed as input VAT are transferred to the making of non-taxable supplies, an output VAT based on the higher of the consideration paid or fair market value is payable. Examples of change of use are:

- Transfer or sale of a company computer to an employee; or
- Transfer of assets in a bank from a taxable to an exempt division.

### **Pre-registration or post-deregistration VAT**

VAT on expenses (including imports other than capital goods) incurred up to four months prior to the registration date may be claimed in the first VAT period. The goods must be held on hand at the date of registration.

A person whose registration is cancelled is deemed to have made a taxable supply of goods on hand, including capital goods, unless input tax was denied. The goods on hand must be valued at the fair market value.

## **International trade**

### **Imports**

#### **Goods**

All goods imported into Botswana are subject to VAT except goods expressly exempted from VAT on importation. The VAT liability on imports arises when the goods are cleared through customs. Goods held in a bonded warehouse are not subject to VAT until they are cleared for use.

VAT on imports may be deferred where the importer provides adequate security. In order to obtain a deferred VAT facility, the applicant is required to execute a bond in favour of the BURS for an amount equivalent to 20% of the expected imports during a particular month or BWP20 000, whichever is higher. The maximum deferment period is 25 days after the end of the month during which the goods were imported.

The value of the imports for VAT purposes includes all taxes and duties payable, as well as the cost of insurance and freight. The value of goods that are imported from

South Africa, Lesotho, Namibia, and Swaziland includes, for VAT purposes, insurance and freight costs.

The value of the imports for VAT purposes includes all taxes and duties payable, as well as the cost of insurance and freight. The value of goods that are imported from South Africa, Lesotho, Namibia and Swaziland includes, for VAT purposes, insurance and freight costs.

### **Services**

Only services imported for use or consumption in Botswana for a purpose other than to make taxable supplies are subject to VAT. A person making only exempt supplies is thus liable for VAT on imported services, and a person making both taxable and exempt supplies will be liable for VAT to the extent that the services are acquired for non-taxable purposes.

Where tax is payable on the import of services, the recipient of the service should declare and pay VAT within 30 days of the import of the service.

### **Exports**

The zero rate applies where the supplier has entered the goods for export in accordance with customs duty principles, and the supplier has exported the goods from Botswana.

The supply of various services to persons who are not residents of Botswana and are not registered for VAT purposes in Botswana is zero-rated.

The Minister may authorise the granting of a refund to a non-resident individual, where the VAT paid on goods exported by that person as accompanied baggage exceeds UA1 200. The Minister may authorise a refund of tax to diplomats, diplomatic missions, and other persons under certain international laws and conventions.

## Place, time and value of supplies

### Place of supply

There are no place-of-supply rules in Botswana's VAT legislation.

### Time of supply

The general rule is that a supply of goods or services occurs at the earliest of when –

- An invoice for the supply is issued by the supplier; or
- Any payment for the supply is received.

Under some of the specific rules, the time of the supply is as follows:

- Related persons – when goods are removed or made available, or when services are performed, unless the time of supply has already taken place in accordance with the general rule;
- Credit agreement – when the goods are delivered or the time at which any payment for the supply is received, whichever is the earlier;
- Lay-by agreement – when the goods are delivered to the purchaser;
- Change of use – when the goods or services (acquired for taxable use) are transferred to a non-taxable activity;
- Repossession of goods under credit agreement – when the goods are repossessed or the day after the last day of any period during which the debtor may be reinstated;
- Machine, meter or other device operated by coin, note or token – when the coin, note or token is taken from the machine, meter or other device by or on behalf of the supplier;
- Goods or services supplied to a branch or main business outside Botswana – when the goods are delivered to, or the services performed for, the branch or main business;

- Rental agreement or services supplied under an agreement providing for periodic payments – successive supplies occur when a payment becomes due or is received, whichever is the earlier;
- Construction services paid for in instalments or periodically – successive supplies occur when a payment becomes due or is received or when an invoice relating only to that payment is issued, whichever is earlier;
- Token, voucher or stamp – when the token, voucher or stamp is issued;
- Goods removed from a VAT-registered manufacturing warehouse, or services rendered by an international financial services centre company – when the goods are removed from the warehouse, or when the services are rendered;
- Forfeiture of deposit (other than a deposit on a returnable container) – when the deposit is forfeited;
- Immovable property – when the transfer deed is registered with the Registrar of Deeds or when payment is received, whichever is the earlier; and
- An electrical connection under the Botswana Power Corporation's Rural Electrification Scheme or housing by the Botswana Housing Corporation under the Tenant Purchase Scheme, pursuant to a hire purchase agreement – when payment is due or is made under that agreement, whichever is the earlier.

### Value of supply

The general rule is that the value of a supply is the amount of the consideration for the supply. 'Consideration' includes the total monetary amount or fair market value of goods or services given in kind, and also includes deposits on returnable containers, duties, levies, and fees.

If the price includes VAT, the value is determined by deducting an amount equal to the tax fraction of the price: Value = VAT-inclusive price less (12/112 x VAT-inclusive price).

Under some of the specific rules, the value of the supply is as follows:

- Related persons (if the supply is made for less than the fair market value) – fair market value, i.e. the value that the supply would generally fetch if freely offered, and made between persons who are not related parties;
- Supply made for less than the fair market value of the supply to a charitable organisation, institution of religious worship, educational institution, old-age home, orphanage, children's home, or institution of a similar nature – fair market value of the supply;
- Credit agreement – cash value of the supply;
- Repossession of goods under a credit agreement – an amount equal to the balance of the cash value of the supply of those goods to the debtor, that has not been recovered at the time of the supply;
- Granting of a right to receive goods or services for a monetary value stated on a token, voucher or stamp – an amount equal to the amount by which the consideration exceeds the monetary value of the token, voucher, or stamp;
- Token, voucher or stamp such as discount coupons – value of the supply of such goods or services by the supplier includes the monetary value stated on the token, voucher, or stamp, less the tax fraction of the monetary value if the token, voucher or stamp is surrendered for a taxable supply;
- Mixed supplies (taxable and exempt) – value of the supply is the part of the consideration that is properly attributable to the taxable supply portion;

- Transfer of goods or services to a branch or main business outside Botswana – the lesser of the cost or fair market value of the supply;
- Supply made for no consideration – the value is nil;
- Bets – amount received in respect of the bet, reduced by an amount equal to the tax fraction multiplied by the amount received in respect of the bet;
- Goods removed from a VAT-registered manufacturing warehouse – the fair market value of the supply; and
- Consideration paid or payable in kind – the fair market value of the consideration.

## VAT compliance

### Accounting basis and tax period

The liability for output tax arises when an invoice is issued or when payment is received, whichever is the earlier. The VAT period (tax period) is two months for registered persons with annual taxable supplies up to BWP12m, and one month for those exceeding BWP12m per annum.

### Returns and payment of VAT

The VAT return must be filed within 25 days after the end of the tax period. Where output tax exceeds the input tax, the VAT return must be accompanied by a payment equal to the difference.

### Interest and penalties

Compounded interest is levied on late payment at 1.5% per month or part of a month.

The Commissioner-General may, if he is satisfied that the tax is irrecoverable, remit any amount of tax, not exceeding BWP50 000, unpaid by any person in respect of any tax year. The Minister of Finance may remit wholly, or in part any tax payable by any person, where he is satisfied that it is just and equitable to do so, or where he is satisfied that such tax is irrecoverable.

A penalty of the higher of BWP50 per day or 10% per month or part of a month outstanding of the VAT payable, may be imposed for late submission and/or late payment. In practice, only the penalty for late submission is imposed.

### Refunds

Where input tax exceeds output tax, a refund may be claimed. This may occur in the case of an export business, or where large capital purchases have been made. The refund must be paid within two months after the month-end date of filing a return showing an excess of input tax over output tax, and the amount claimed must be verified as correct.

If the registered person is engaged mainly in export activities, or is defined as a VAT-registered manufacturing warehouse or an international financial services centre company, the VAT refund claim must be processed within one month from the month-end date of filing the return.

Failure to refund the amount due within the prescribed period will make the Commissioner-General liable for interest at 1% per month for the period the refund was overdue. Excess input tax may also be offset against the person's other tax liabilities (e.g. income tax).

### Objections and appeals

Objections and appeals may be submitted where persons wish to dispute a decision of the VAT administration. Objections should be addressed to the Commissioner-General and should contain the specific grounds of objection, and it should be made within 30 days of the assessment.

### Time limits

The maximum period for claiming input tax is as follows:

- Where a person's tax period is a period of one month – up to the next three tax periods;

- Where a person's tax period is a period of two months – in the next tax period; and
- Where a person has paid VAT in respect of any imports of goods – in the next tax period.

## VAT records

### Tax invoices

No input tax may be claimed unless the claim is supported by a tax invoice. Only VAT-registered persons may issue tax invoices. The following particulars must appear on a tax invoice:

- The words 'tax invoice' must be displayed prominently;
- Date of issue;
- Serial number;
- Name, address and VAT registration numbers of supplier and recipient;
- Clear description of goods or services supplied, including quantity and volume; and
- Consideration for the supply, the VAT due and the consideration including the VAT.

No tax invoices are required for a supply made in cash for less than BWP20. Tax invoices may be in either English or Setswana. There is currently no legislation in the VAT Act that prescribes the acceptability of e-invoicing procedures.

Where a taxable supply has been made by a person as an agent for another person, and the recipient of the supply is a registered person, the agent may issue a tax invoice in relation to the supply as if the agent had made the supply. Where a taxable supply has been made to a person as an agent of the principal and the principal is a registered person, a tax invoice in relation to the supply may be issued to the agent at his request.

### **Credit notes and debit notes**

Tax credit and tax debit notes must also be issued and be clearly designated as such providing much of the same detail as for a tax invoice, where a supplementary charge is made, or when a reduction in the amount charged or due is agreed on between a seller and a buyer.

In addition, the credit or debit note must contain the reason(s) for its issuing, reference to the previous invoice now being corrected, and the words 'tax debit note' or 'tax credit note' in a prominent place on the document.

### **Additional export documentation**

The normal customs documentation forms (SAD 500), invoice, etc. should be stamped by the Department of Customs for proof of export.

### **Record-keeping**

A registered person must maintain the following records in Botswana, in English or Setswana:

- Original tax invoices, tax credit notes, and tax debit notes received;
- Copies of all tax invoices, tax credit notes, and tax debit notes issued;
- Customs documentation relating to imports and exports;
- Accounting records; and
- Any other records as may be prescribed by the Commissioner-General.

The records must be retained for at least seven years after the end of the tax period to which they relate. Failure to maintain proper records constitutes an offence. On conviction, the person may be liable to a fine or imprisonment.

### **Specific VAT rules**

#### **Bad debts**

VAT paid in respect of a supply which eventually has to be written off as a bad debt can effectively be

reclaimed by a VAT-registered person. The debt has to be written off in the enterprise's books and the relief cannot be claimed until at least 12 months after the VAT was originally paid.

If VAT relief was allowed and the bad debt is subsequently recovered, VAT must again be accounted for by the registered person.

#### **Land and buildings**

An exemption from transfer duty applies if VAT is paid on a transaction involving the sale or transfer of land and buildings. The transferring of residential property is not subject to VAT. Transfer duty paid can be claimed as input tax (subject to normal input tax rules).

#### **Leasing**

Lease or hire purchase capital repayments are not subject to VAT. Interest is exempt from VAT.

#### **Promotional gifts**

Basically, all promotional gifts can be taken at fair market value to impute an output VAT. Cash donations to an association not for gain are not subject to VAT.

#### **Second-hand goods**

When a registered person supplies second-hand goods that are taxable, VAT has to be charged on such supplies, and the recipient would normally be entitled to an input tax deduction under the normal rules.

Input tax is claimable on second-hand goods acquired from a non-registered person, provided that:

- The goods must be acquired from a person resident in Botswana;
- The amount of the claim may not exceed the tax fraction of the lower of the amount to be paid or the fair market value including tax;
- Records of the transaction as required by the Director must be kept, e.g. the full names and

address of the supplier, taxpayer identification number, the date on which the goods were acquired by the registered person, the quantity/volume, and a description of the goods, etc.; and

- The input tax credit may not exceed the amount of tax charged on the subsequent sale of the goods.

Where a notional input tax credit has been claimed in respect of second-hand goods purchased from a non-registered person, and these goods are subsequently exported at the zero rate, the amount so claimed must be declared as output tax due and shown in the return for the relevant period as an output tax adjustment.

#### **Tourism industry**

Where a non-resident sells a tourism package which includes services to be rendered to a tourist in Botswana, the domestic goods and services component will be subject to VAT.

If a Botswana travel agent supplies a domestic tour package to a person, whether resident or non-resident, the full package will be taxable at the standard rate. Where such a package includes services to be provided both within and outside Botswana, only the domestic component of the services will be taxed.

#### **Currency conversion**

For VAT purposes, the invoice in foreign currency is converted to BWP at the exchange rate applicable on the date of the invoice. Subsequent differences in exchange on date of payment are not subject to VAT.

#### **Transfer of a business**

The sale of a business as a going concern is treated as a zero-rated supply. The sale of part of a business can also qualify for zero-rating. For the zero-rating to be applicable, all goods and services necessary for the business operation must be transferred, the activity must be on-going at the time of transfer, both parties to the transaction must



be registered for VAT, and details of the transaction must be reported in writing to the Commissioner-General within 21 days.

### **Warranty repairs**

Where goods or services are supplied by a VAT-registered person in Botswana in terms of a guarantee provided by a non-registered resident, and the non-resident meets or reimburses the costs of the goods or services provided by the VAT-registered person, the supply may be treated as zero-rated.

Where goods or services are supplied by a VAT-registered person in Botswana in terms of a maintenance plan or agreement with a non-registered resident and the non-resident meets or reimburses the costs of the goods or services provided by the registered person in terms of that maintenance plan or agreement, the supply may be treated as zero-rated.

## **Other indirect taxes**

### **Import duties**

There are no import duties on goods brought in from within the Common Customs Union, which includes South Africa, Namibia, Lesotho, and Swaziland. Import duties are levied on numerous goods brought in from other countries, at varying rates..

### **Excise duties**

Excise duties are levied at varying rates on cigarettes, perfume and liquor.



# Cameroon



## Introduction

VAT was introduced in Cameroon by the Law of Finance No. 98/009 of 1 July 1998 to replace the Turnover Tax ('Taxe sur Chiffres d'Affaires', (TCA) in French). The VAT authority in Cameroon is the Directorate General of Taxation.

## Rates and scope

The standard VAT rate is 19,25%, unless the zero rate (0%) applies.

Taxable operations include transactions carried out within the context of an economic activity against payment. An economic activity means all activities relating to production, importation, provision of services, and distribution, including mining activities, agriculture, agro-industry, forestry, handicraft, and activities of liberal or related professions. The following supplies fall outside the scope of the VAT system:

- Interest on foreign loans;
- Free distribution of goods for advertising or sales promotion purposes;
- Disbursements that are merely refunds to the buyer or customer of the exact amount invoiced; and
- Cash receipts, such as interest on arrears or damages for non-performance of contract terms, which are not payments for any business transaction.

## VAT registration

### Compulsory registration

No specific registration number is required to comply with the VAT rules.

In Cameroon, there is a single tax identification number which the taxpayer must use to fulfil all their duties regarding all taxes.

However, it is important to note that the persons authorised to invoice VAT must be natural persons and corporate/commercial entities realising an annual turnover before tax equal to or in excess of 50 million FCFA (approximately USD102 000).

### Non-residents

Non-residents must appoint a solvent representative accredited by the tax authority. A bank account in Cameroon is not required.

### Application for registration

Any natural person or corporate body liable as a statutory taxpayer for payment of a tax, duty or levy, or an instalment thereof, by virtue of the provisions of the General Tax Code, must file an application for registration with the competent tax authority of the area within 15 working days following the start of the activities, and attach a site plan to such application.

### Deregistration

In the event of an establishment being closed down as a result of death, a court ruling, or petition in bankruptcy, or owing to expulsion or expropriation, all the taxes due as at the date of the closedown become payable. A business licence is due only up to the end of the current month.



## Contact details – PwC Tax and Legal, Cameroon

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## Output tax

### Transactions subject to VAT

Prices must be advertised inclusive of VAT. For the calculation of VAT or excise duty, the basis of assessment must be rounded down to the nearest thousand francs.

The following transactions are subject to VAT:

- Supply of goods, i.e. the transfer of power to dispose of tangible property as owner even if such transfer is effected at the behest of a public authority; exchanges; assets brought into the business; and hire purchase sales;
- Supply of goods to oneself, i.e. transactions carried out by taxpayers either for the benefit of their enterprise or for other professional needs, excluding supplies made for the normal needs of the manager of a private enterprise for himself, and supplies made to himself by any group for the personal needs of its members, where such supplies concern premises constituting the main place of residence;
- Provision of services to third parties, i.e. all activities relating to industry rental contracts or work contracts by which a person undertakes to perform a given job in return for payment, and, generally, all transactions other than supplies of tangible property;
- Services rendered to oneself, i.e. services performed by taxpayers to satisfy either the needs of their enterprise or other needs related to their normal professional activities;
- Transactions related to the importation of goods;
- Real estate activities and transactions of any kind carried out by real estate developers (since the Finance Law for Fiscal Year 2011, 'real estate activities' include various forms of direct business and intermediation carried out by professionals in the sector of real estate transactions);
- Sales of second-hand articles and materials by professionals;
- Transfers of assets that are not exempt;
- Transactions carried out by enterprises approved under the Free Zone regime;
- Sales of petroleum products imported into or produced in Cameroon;
- Games of chance and games of entertainment;
- Leasing transactions with or without option of purchase;
- Commercial subsidies of any nature whatsoever;
- Reduction and writing off of debt for commercial reasons; and
- Payment of commissions to travel agencies.



### Exempt supplies

The following transactions are exempted, provided they are subject to specific taxes exclusive of tax on turnover:

- Sale of mining products;
- Real estate transactions of all kinds carried out by non-professionals;
- Interest on external loans;
- Interest on deposits in credit and financial institutions by non-professionals;
- Transfer of rights to real estate, and transfer of business assets subject to a transfer duty or equivalent duty;
- International traffic transactions concerning:
  - ships and boats used for industrial or commercial activities on the high seas,
  - lifeboats and assistance boats,
  - aircraft and ships used for maintenance and refuelling operations, and
  - certain inter-state transit operations and services related thereto, in accordance with the Economic and Monetary Community of Central Africa (CEMAC) Customs Code;
- The importation or sale by the State of fiscal stamps, postage stamps, and stamped papers;
- Sums paid by the Treasury to the Central Bank, which has the currency-issuing privilege, and also the proceeds from the transactions of this Bank in connection with the issue of notes;
- Tuition and boarding fees collected by authorised schools and university institutions;
- Essential goods listed under Annex 1, namely:
  - pesticides, fertilisers and inputs, as well as other agricultural, livestock and fishery inputs used by producer,
  - small fishing equipment, seeds, agricultural machinery and tools, their inputs and spare parts for plants for manufacturing the said machinery and tools, and
  - pharmaceutical products and the inputs thereof, as well as the material and equipment used in the pharmaceutical industry;
- Leasing transactions carried out by credit establishments for borrowers, towards the acquisition of specialised agricultural equipment to be used in farming, livestock, breeding, and fishing;
- Sales of oil products for refuelling the aircraft of companies that have a registered office in Cameroon;
- The social consumption of water of up to 10m<sup>3</sup> per month;
- The social consumption of electricity of up to 110kW per month;
- The composition, printing, import and sale of newspapers and periodicals, except proceeds from advertising, certain inputs and capital goods for these transactions, acquired by press, newspaper, and periodicals companies;
- Imports of certain exempted goods under the CEMAC Customs Code;
- Tests, consultations, health care, hospitalisation, medical and biological analysis, and the provision of prostheses in health facilities;
- Life and health insurance contracts and commissions;
- Local transformation of finished and semi-finished wood products, especially logging, modelling, and assembly;
- HIV/AIDS control equipment under certain conditions;
- Subject to reciprocity, headquarter agreement and quotas laid down by the competent authorities, goods and services destined for the official use of foreign

diplomatic, consular missions, and international organisations in conformity with modalities provided by regulation; and

- Material and equipment used in harnessing solar and wind energy.

### Zero-rated supplies

The zero rate applies to exports of taxable goods.

### Input tax

#### Input tax allowed

VAT levied for prepayment on a taxable transaction is deductible from the final tax paid on the transaction in the case of registered taxpayers assessed on the basis of actual earnings and the simplified taxation system.

#### Input tax expressly denied

VAT incurred on the following expenses is expressly denied as input tax deductions:

- Expenses for housing, lodging, catering, receptions and shows, and the cost of hiring a private car or passenger transport vehicle;
- Importation of goods for use for business purposes, but that are unused and re-exported as is;
- Goods and services purchased by the enterprise, but that are used by third parties or the management or employees of such enterprises; and
- Services relating to goods exempted from the right to deduction.

### Partial exemption

For taxpayers not exclusively carrying out transactions giving a right to deduction, the deduction must be made proportionately. Such deduction applies to fixed assets and to goods and services. It is calculated from the fraction of turnover pertaining to taxable transactions.

The fraction is calculated as follows:

- The numerator – the amount of the income corresponding to the transactions liable to VAT-including exports; and
- The denominator – the amount of all income realised by the taxpayer.

When they pertain to goods liable to tax by nature, the following transactions are included in the numerator:

- Transactions exempted from VAT as mentioned above; and
- Transactions exempted from VAT within the frame of specific conventions signed with the State.

In the case of haulers engaged in inter-state freight forwarding operations and related services in the CEMAC region, the specific turnover of these operations must appear in both the numerator and denominator.

A deduction is acceptable only following verification of the proportional deduction.

## International trade

### Imports

VAT is payable on the importation of goods. This applies equally to supplies of imported services to the State, regional and local authorities, public establishments, companies with partly or entirely public capital, and some enterprises of the private sector (generally with a turnover amounting to XAF 3 billion, or where the taxpayer is an affiliate of such enterprise, and mentioned on a list established by Ministerial Order).

The VAT is deducted at source at the time of payment of invoices, and remitted to the competent tax service or the competent accounting office with territorial jurisdiction. This deduction is subject to the same conditions and deadlines applicable to other transactions.

### Exports

The exportation of products entails a right to deduction, and where applicable, a tax credit where VAT on such product was pre-paid.

In the case of services provided directly at the manufacturing, processing or packaging stages of exported products, as well as for the transportation and transit operations relating thereto, the deduction is not final until proof of actual exportation and prepayment of VAT is shown.

In application of the principle of territoriality of VAT in Cameroon, foreign entities do not qualify for a refund.

## Place, time and value of supply

### Place of supply

Transactions carried out in Cameroon that are not listed among the exemptions are liable for VAT even when the residence or head office of the real taxpayer is situated outside Cameroon.

### Time of supply

The tax is due as follows:

- On the supply of goods – when the chargeable event takes place;
- On receipt of the price, payment by instalments, or advances made for real estate in relation to low-cost housing and the development of industrial zones, as well as phases of services and works; such liability also concerns State suppliers, government services with an annex budget, public establishments, and corporations, as well as regional and local authorities;
- On transfers of fixed property – on the date of conveyance or transfer of the property;
- On importation or entry of goods and merchandise into Cameroon – at the time of registration of the statement of home use entry; and

- On consumer credit or leasing transactions carried out by a financial establishment – on the date when the interest or lease payments fall due.

### Value of supply

The value of supplies is as follows:

- Supply of goods, for any amount or value – all benefits, goods and services received or to be received in return for the supply;
- Provision of services – all sums and benefits received, and where applicable, the value of material consumed during the execution of the services;
- Exchange of goods – the value of the products received in return for payment for the goods, and where applicable, the value of the additional payment;
- For construction works – the amount stipulated in the contract, bill, or invoice;
- For leasing transactions with or without option to buy, by the amount of rent billed by leasing companies, and, by the end of the contract, by the transfer price agreed upon in the contract when the purchase option is exercised by the lessee, or by the transfer price where sale is to the third party;
- For transactions carried out in the enterprises of chance and entertainment games, by the total proceeds of such games; and
- Supplies to oneself – the purchase price, exclusive of taxes, of goods bought, and used as is, or the cost price of the extracted, manufactured or processed goods.

## **VAT compliance**

### **Returns and payment of VAT**

VAT credits may be offset and, where applicable, refunded under certain conditions. Tax returns may be filed by electronic means, which are subject to certain conditions.

Where the tax authority notices a shortcoming, an inaccuracy, or an omission in the data used as a basis to calculate any taxes, duties or sums due under the General Tax Code, the corresponding adjustments will be made following the adversary procedure. The onus of proof will lie with the tax authority.

### **Interest and penalties**

Inadequacies, omissions, or inaccuracies affecting the tax base or data that have led the tax authority to make adjustments will result in the application of a 1.5% interest on arrears per month up to a maximum of 50%, which is calculated on the basis of charges to be borne by the taxpayer following notification of the last procedural deed in case of control. Interest on arrears is calculated with effect from the first day of the month during which the return showing an inadequacy, omission or inaccuracy was filed up to the last day of the month of notification of adjustment. The maximum amount of the interest on arrears will be 50%.

Interest will not be waived if the non-compliance does not result in a loss to the State or in a benefit for the taxpayer.

### **Refunds**

VAT credits may be refunded on condition that their beneficiaries do not owe any taxes and duties whatsoever that can be compensated, and that the credits are justified.

## **Objections and appeals**

- A taxpayer who feels wrongly taxed or overtaxed may submit a written claim to the head of the Principal Taxation Centre of the place of assessment, to the head of the structure responsible for managing the 'Large Taxpayers Unit' or to the Director-General of Taxation within 30 days from the date of issue of the notice of issue for collection.

The head of the Regional Taxation Centre, the head of the structure responsible for managing the 'Large Taxpayers Unit', and the Director-General of taxation will respond within a maximum period of 30 days.

Where the taxpayer's arguments are justified, the tax relief is granted as follows:

- The Head of the Main Taxation Centre will grant tax relief up to the sum of 30 million FCFA; and
- The Director-General of Taxation will grant tax relief up to the sum of 100 million FCFA.
- Where the decision of the Regional Taxation Centre, or the head of the structure responsible for managing the 'Large Taxpayers Unit', or the Director-General of Taxation does not fully satisfy the claimant, he may forward his claim within 30 days to the Minister in charge of finance, who will respond within a time limit of 60 days.

Where the taxpayer's arguments are justified, tax relief exceeding the sum of 100 million FCFA may be granted by the Minister in charge of Finance.

### **Time limits**

Sums due from taxpayers for taxes and duties assessed by virtue of the General Tax Code are barred after a period of four years following the due date, where no instrument has been issued to end the limitation. This limitation may not be invoked in the case of taxes deducted at source or those for which the person liable is only a collector.

The maximum period for claiming input tax credits is two years.

## **VAT records**

### **Tax invoices**

Receipts must be issued for all payments. Such receipts are exempted from stamp duty. A duplicate thereof may be issued to a taxpayer who so requests.

A tax invoice may be issued in French or English, and may not be in a foreign currency.

### **Credit notes and debit notes**

Cash receipts such as interest or damages for non-performance of contract terms, which are not payments for any business transaction, are excluded from the basis of assessment.

### **Additional export documentation**

Additional export documentation required includes a CEMAC origin certificate for supplies of the CEMAC zone and a health certificate for supplies of animal origin.

### **Record-keeping**

The accounts of a subsidiary or branch of an undertaking established outside Cameroon may not be invoked in litigation with the tax authority unless they show the profits made by the same subsidiary or agency.

Records must be kept for a period of 10 years. Where accounting via a computer, the tax authority may seek technical assistance from experts in order to conduct tests on the equipment used by the enterprise and check the following:

- The accounting system used;
- All of the information, data and processing directly or indirectly used to produce the accounting or tax results or draft the documents that are mandatory under the General Tax Code; or

- Documents concerning analysis, programming, and execution of processing.

Taxpayers must produce, at the request of the tax authorities, all mandatory accounting documents and records, supplemented where necessary by the accounting items applicable to the nature of the activity undertaken in order to establish the genuineness of the information mentioned in a tax return.

## Specific VAT rules

### Bad debts

For taxes that cannot be collected due to a change in the situation of the taxpayer at the time of assessment, the collector of taxes will submit the lists of irrecoverable taxes to the Director of Taxation.

For each irrecoverable tax, the lists must indicate the nature of the tax with reference to the issue prohibiting collection, and the amounts not collected, as well as any information or details showing clearly that such taxes have become irrecoverable. They will be submitted along with documents to support the measures taken to recover the said taxes. The collectors of taxes who are personally and financially responsible for tax recovery may be discharged and freed from performing such duty where the bad debts are officially listed. The Minister in charge of Finance will issue a registered certificate for all taxes considered as bad debts.

### Land and buildings

Real estate transactions of any kind carried out by real estate developers are taxable. For transfers of property, liability for payment of VAT is due on the date of conveyance or transfer of the property.

### Leasing

VAT credits may be refunded within three months of the filing of the application to industrialists and leasing institutions that have carried on investment activities specified in the General Tax Code.

### Promotional gifts

Free distribution of goods for advertising or sales promotion purposes is excluded from the basis of assessment.

### Small retailer scheme

A scheme that involves small retailers is subject to a discharge tax excluding payment of the business license, personal income tax, and VAT (category A).

### Tourism industry

Tourist guides are subject to a discharge tax excluding payment of the business license, personal income tax, and VAT (category C).

## Other indirect taxes

### Import duty

The basis of assessment for imports is determined by adding the amount of customs and excise duties to the taxable value.

For goods entering the territory of a member state, the basis of assessment is the ex-works value, excluding forwarding costs. The basis of assessment for the excise duty on imports will be determined by adding the amount of the customs duty to the taxable value.

The basis of assessment for VAT and excise duty on imports of some alcoholic beverages and tobacco products will be the taxable value, i.e. the price agreed by parties for the transaction. For goods and merchandise entering the territory from a CEMAC member state, the basis of assessment is the ex-works value, excluding forwarding costs.

### Excise duty

The general excise duty rate is 25%, while the reduced rate is 12,5%. Excise duty is levied on alcoholic products, fermented beverages, fizzy drinks (US: sodas), mineral water, natural juice, and motor vehicles with a capacity of more than 2 000cc.

### Stamp duty

Stamp duty in countries of CEMAC is established independent of registration fees on all papers to be used for civil and legal instruments and documents that may be brought before courts of law as proof.

Stamp duty is fixed according to the nature of the instruments subject thereto. It is paid by use of stamp paper, a stamping machine, and adhesive stamps or by endorsement for stamp duty, or against declaration or on production of statements or extracts, or at a fixed rate.

# Cape Verde



## Introduction

VAT was introduced in Cape Verde with effect from 1 January 2004. The VAT Code was approved by Law 21/VI/2003 of 14 July 2003.

## Rates and scope

The standard VAT rate is 15%.

VAT is levied on the supply of goods taking place in the Cape Verdean territory by a taxable person acting as such.

Examples of supply of goods:

- The transfer of the right to dispose of tangible property as owner;
- Supplies of electricity, gas, heat, and refrigeration;
- The actual handing over of goods pursuant to a hire purchase agreement;
- The transfer of goods pursuant to a contract under which commission is payable on purchase or sale; and
- The application of business assets for purposes other than those of the business, where the VAT on those goods was wholly or partially deductible.

VAT is levied on the rendering of services taking place in the Cape Verdean territory by a taxable person acting as such. Services are all operations carried out that are not the supply or importation of goods.

Examples of rendering of services:

- The use of goods forming part of the assets of a business for the private use of a taxable person or of his staff or, more generally, for purposes other than those of his business, where the VAT on the goods was wholly or partially deductible; and
- The supply of services carried out free of charge by a taxable person for his private use or for that of his staff, or more generally, for purposes other than those of his business.

VAT is also levied on the importation of goods.

The following persons will be liable for the payment of VAT:

- Any person resident or having a permanent establishment or representing office in Cape Verde carrying out an economic activity independently, and on a regular

basis, whatever the purpose, or performing operations on an occasional basis, that is liable to income taxes;

- Non-residents carrying out taxable transactions if liable to income taxes;
- Importers (in accordance with the Customs Legislation);
- Any person who unduly charges VAT on an invoice;
- The State – provided the activities are not carried out on such a small scale as to be negligible (including telecommunications, water, gas and electricity distribution, transport, ports and airports, TV and radio, and warehousing); and
- Any person resident or having a permanent establishment in Cape Verde that acquires from non-residents services such as consultancy, engineering, accounting, supply of staff, licenses etc.





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The reverse charge rules apply to construction services. Invoices issued for construction services in which the reverse charge rule is applicable, i.e. where the customer is the taxable person, must contain the wording 'TVA –autoliquidação'.

### VAT registration

#### Compulsory registration

All corporate and individual entities carrying out taxable economic activities are obliged to register with the competent tax department. The start-of-activity documentation has to be submitted prior to the start of the operations.

#### Voluntary registration

No provision is made for voluntary registration.

#### Group or branch registration

No provision is made for voluntary registration.

### Non-residents

Non-resident entities without permanent establishment in Cape Verde who carry out transactions in the territory should appoint a resident legal representative to comply with VAT obligations. The legal representative and the non-resident entity are jointly liable towards the Cape Verdean Tax Authorities.

If the non-resident entity does not appoint a legal representative in Cape Verde, the taxable entity that purchases the goods or the recipient of the services will be responsible for compliance with the VAT obligations.

#### Application for registration

The taxpayer must file form 109 in order to obtain a fiscal identification number. Tax registration is done by submitting the application form (form 110) at the start of activities to the competent tax office. The registration number is also the tax number for all taxes (direct and indirect taxes).

Whenever there is a change in any information included in the starting-of-activities return, an amendment return must be submitted within 15 days from the date of the change.

### Deregistration

Deregistration is achieved by the completion and submission to the tax authorities of the proper application form within 30 days from the cessation of activities.

### Output tax

#### Calculation of output tax

Output tax is calculated by applying the applicable VAT rate (15%) to the taxable amount.

### Exempt supplies

Exempt supplies include, but are not limited to, supplies of the following goods or services:

- Medical services, and closely related activities, carried out by hospitals, clinics, and other institutions of a similar nature;
- Non-commercial activities carried out by public TV and radio entities;
- Human organs, blood, and human milk;
- Transport services for sick or injured persons in ambulances by duly authorised entities;
- Goods and services limited to welfare and social security work provided by public entities or non-profit organisations;
- Services and goods supplied by nurseries, kindergartens, after-school centres, establishments for abandoned children and teenagers, homes for the aged and invalids, establishments for children and teenagers with disabilities, rehabilitation centres, and other similar establishments owned by public entities or non-profit organisations, duly recognised by the competent authorities;
- The supply of services by public entities or non-profit organisations engaged in the pursuit of sports, cultural, and physical education activities;
- Educational services and goods closely related thereto, carried out by approved entities;
- Services and goods supplied by public or non-profit entities regarding conferences, seminars or similar activities of a scientific, cultural, educational or technical character;
- Intellectual property rights;
- Services supplied by non-profit entities of political, religious, humanitarian, philanthropic, recreational, sport, cultural, environmental, civic or economic

interest, in the collective interest of its members, provided that the consideration given by the members is only a fixed fee in terms of the entity's Articles of Association;

- Stamps at their face value;
- Public service of garbage removal;
- Funeral services and accessory goods;
- Banking and financial transactions;
- Insurance and reinsurance transactions;
- Lease of immovable property (with some exceptions);
- Transactions subject to property tax (IUP);
- Betting, lotteries and other forms of gambling;
- Goods exclusively applied for an exempt activity or an activity for which VAT is not deductible; and
- Sand and certain equipment, seed, fertilizers, and fishing tools.

### Zero-rated supplies

The zero-rated supplies include (but are not limited to) supplies of goods and services for export by the seller or by a third party.

The supply of the following goods in Cape Verde is also zero-rated:

- Meat, fish, milk, eggs, fruit, and vegetables;
- Newspapers, magazines and books of a cultural, educational or technical character; and
- Medicines and other pharmaceutical products exclusively for therapeutic and prophylactic purposes.

### Input tax

#### Input tax allowed

VAT is fully recoverable, which is subject to complying with the legal requirements, in the case of taxpayers carrying out fully taxable activities.

Taxpayers carrying out VAT-exempt activities are not entitled to claim any input VAT.

### Input tax expressly denied

Input tax is expressly denied in the following instances:

- Passenger vehicles, pleasure boats, helicopters, aircraft, and motorcycles;
- Fuel used for cars, except for diesel fuel, where 50% of the tax is deductible; however, diesel is fully deductible if related to tractors used for agricultural purposes, certain machines, and large vehicles;
- Vehicles licensed for the transportation of people or goods;
- Expenses on business trips and transport for entrepreneurs or employees; and
- Lodging, food and drink, tobacco, and entertainment expenditure.

### Partial exemption

Taxpayers simultaneously carrying out taxable and exempt activities can recover VAT on inputs on an apportionment basis (pro rata or direct allocation method).

### International trade

#### Imports

Goods imported into Cape Verde are subject to the payment of VAT by the importer. However, the following are exempt (as examples):

- Goods that are exempt if supplied within the country;
- Re-importation of goods by the entity that exported the goods when they are exempt from import duties;
- Music instruments when imported by music schools and music groups if not made in Cape Verde if benefit was derived from import duty exemption;



- Some equipment and machinery if import duty exemption applies;
- Importation of gold by the Bank of Cape Verde; and
- Importation of goods by the entities under the projects of international cooperation.

The general rule is that the rendering of services is taxable if the service provider's head office, permanent establishment, or domicile from which the services are rendered is in Cape Verde. However, the following services are always taxable regardless of the place of establishment of the provider of the services (if acquired by a Cape Verde taxpayer):

- Services related to immovable property located in Cape Verde, which includes services of architects, on-site supervision, estate agents and experts, consultancy, lawyers and preparation, and coordination of construction works;
- Services performed on movable tangible goods if performed totally or mainly in Cape Verde;
- Services of an artistic, scientific, sports, entertainment, educational or similar nature that take place in Cape Verde;
- Transport services provided in Cape Verde;
- Transfers and assignments of copyright, licenses, trademarks, and similar rights;
- Advertising services;
- Telecommunication services;
- Services of consultants, engineers, consultancy bureaux, lawyers and accountants, and other similar services, including research and development;
- Supply of information and data;
- Banking, financial, insurance, and reinsurance operations;
- Leasing and renting of movable assets;
- Supply of staff;

- The obligation of not exercising (even if partially) a professional activity or a right mentioned on this list; and
- Intermediary services acting in the name and on behalf of other persons in the rendering of the above services.

### Exports

The following goods are subject to VAT exemption (as examples):

- Goods shipped or transported abroad by or on behalf of the seller;
- Goods shipped or transported abroad by a customer without residence or establishment in Cape Verde except goods supplied for ships, tourism aircraft, or any other means of conveyance for private use;
- Supply of provisions for vessels used for navigation on the high seas and carrying passengers for reward, or used for the purpose of commercial, industrial or fishing activities, or for rescue or assistance at sea, or for inshore fishing;
- Supply of goods under diplomatic and consular relations in accordance with international agreements;
- Supply of provisions to war vessels destined for a port located abroad;
- Supply of goods to certain international entities; and
- Supply of goods to recognised entities that export the goods abroad in the ambit of their humanitarian, charitable, or educational activities.

The following services are subject to VAT exemption (as examples):

- Services directly related to goods exempt from tax whether it is temporary imports or transits, or entered in warehouses subject to the customs regime;
- Transport of persons proceeding from or going abroad and within the Cape Verdean islands; and

- Works on movable assets acquired or imported for purposes of such works, which are afterwards shipped or transported abroad.

The Cape Verdean VAT legislation provides for a special VAT refund regime for non-resident companies that incur Cape Verdean VAT, and do not perform taxable transactions in Cape Verde.

### Place, time and value of supplies

#### Place of supply

VAT is levied on the supply of goods or services carried out in Cape Verde as well as on imports.

In the case of goods, the general rule is that the place of supply is the place where the goods are located at the time when the supply takes place or, where goods are dispatched or transported, the place where the goods are located at the time when dispatched, or transport of the goods to the customer begins.

In the case of services, the general rule is that the place of supply of services is the place where the supplier has established his business or has a fixed establishment from which the service is supplied, or in the absence of such a place of business or fixed establishment, the place where he has his permanent address or usually resides.

Exceptions to the above rules include:

- Services connected with immovable property located outside Cape Verde – place where the property is located;
- Services relating to movable tangible property performed totally or mainly outside Cape Verde – place where the service takes place;

- Cultural, artistic, sporting, scientific, educational, entertainment or similar activities, performed outside Cape Verde – place where the service takes place; and
- Transport services – place where the transport takes place in proportion to the distances covered.

### **Time of supply**

The general rule is that a supply of goods or services occurs:

- Supply of goods – when the goods are delivered to the customer;
- Supply of services – when the service is concluded;
- Imports – when the goods are cleared by customs;
- Supply of goods with transport – when the transport begins;
- Supply of goods with assembling – time of conclusion;
- Supply of continuous services – at the expiry of the periods to which payments relate; and
- Supply of goods from principal to commissionaire – when the goods are delivered to the customer.

### **Value of supply**

For the supply of goods and services, the taxable amount includes everything that constitutes consideration obtained or to be obtained by the supplier in return for the supply from the customer or a third party (including any taxes and duties other than VAT, and expenses related to commissions, packaging, transport, and insurance paid on behalf of the customer).

In respect of the importation of goods, the taxable amount is the value for customs purposes determined in accordance with the provisions in force in Cape Verde (including customs duties and other import taxes and complementary expenses, such as packaging, transport and insurance, up to the first destination of the goods in Cape Verde).

## **VAT compliance**

### **Accounting basis and tax period**

Under the normal VAT regime, taxpayers must account for VAT on a monthly basis.

### **Returns and payment of VAT**

The following returns must be submitted:

- Start-of-activity return – to be submitted before starting the activity (Form 110); this return should not be submitted if the taxpayer performs one single taxable transaction;
- Amendments return – to be submitted within 15 days after the alteration of any information included in the Declaration of Start Activity of the taxpayer;
- Closedown return – to be submitted within 30 days after the cessation of activities in Cape Verdean territory; and
- Monthly VAT return:
  - to be submitted until the last business day of the following month if the VAT return is filed on paper at the local tax office; and
  - to be submitted until the last day of the following month when the VAT return is submitted by electronic means.

In these VAT returns, the taxpayer must calculate the VAT due or the VAT credit amount to be refunded under certain conditions, or carried forward to the following VAT return.

VAT due by taxpayers for the month must be paid to the competent tax department by the last working day of the following month.

### **Obligation to submit VAT adjustment maps**

If VAT is adjusted in a credit or debit note, the taxable person is obliged to submit VAT adjustment maps that provide information on the adjustment to the authorities.

## **Interest and penalties**

In the case of negligent conduct, the non-payment or late payment of the VAT due is subject to a fine that may vary from half of the amount of unpaid tax to the amount of tax unpaid. This fine cannot exceed (in Cape Verde Escudo) CVE1 million (approximately USD12 000), and cannot be lower than CVE100 000.

Interest may also be applicable should there be an amount of VAT due.

### **Refunds**

Whenever there is a right to deduct VAT, the amount of deductible VAT must be offset against the amount of VAT due on a monthly basis. If the amount of deductible VAT exceeds the amount due, the difference will be deductible within the subsequent months. If, after 12 months, the amount of credit remains outstanding and is higher than CVE50 000, the taxpayer may apply for the relevant refund.

Irrespective of the 12-month term, the taxpayer is allowed to request a VAT refund when:

- It ceases its activities;
- It starts carrying on exclusively VAT-exempt transactions with no right to deduction or qualifies under the exemption for simplified regimes; or
- The amount of credit exceeds the fixed limit of CVE250 000.

The deadline legally established for the tax authorities to refund VAT is the last day of the third following month. If the deadline is not met, interest will be paid upon special request by the taxpayer.

In addition, the Cape Verdean VAT legislation provides for a special VAT refund regime for non-resident companies that incur Cape Verdean VAT and do not perform taxable transactions in Cape Verde.

## Objections and appeals

The tax authorities issue assessments and taxpayers are entitled to challenge such assessments. The challenge can be through an administrative claim or a judicial claim (court). Short deadlines apply to claims.

## Time limits

The tax liability for any taxpayer is five years. The deadline for the Cape Verdean Tax Authorities to charge the VAT due is 10 years, which means that the tax authorities have five years to notify the taxpayer about any VAT due (the deadline counts from the date the VAT is due), and have 10 years to effectively charge the VAT due where the deadline counts from the beginning of the year following that in which the VAT was due.

The taxpayer can deduct VAT on invoices issued in the preceding 12 months. A request to the Director of Taxes must be made to allow VAT recovery for the previous four years. Therefore, the taxpayer has five years to deduct any VAT incurred for the provision of taxable transactions.

## VAT records

### Tax invoices

Invoices must be issued by any person or entity that carries out an economic activity on an independent and regular or occasional basis.

For VAT purposes, invoices must be issued no later than the fifth working day following that in which the goods were put at the disposal of the acquirer or the services were supplied. Invoices should be issued in duplicate (the original sent to the client, and the duplicate kept in the taxpayer's files).

The law establishes control measures in the issuance of invoices, which are as follows:

- Issuing invoices is mandatory for any supply of goods and services;

- Rectifying documents must contain cross-references to the invoice which is amended, and must explicitly mention the amendment;
- The wording 'equivalent documents' is deleted from VAT law; and
- New mandatory mentions are introduced to invoices issued for construction services when the customer is a taxable person for VAT purposes.

Invoices must contain the following references:

- Name, address, and tax registration number of the supplier and customer;
- Date and unique sequential number;
- Description or nature of the goods supplied or services rendered, which mentions all specific elements in order to determine the applicable VAT rate;
- Quantity of the goods supplied or the extent of the services rendered;
- Price of the goods supplied or the services rendered, and all other elements included in the taxable base (excluding VAT) per VAT rate, or exemption (in the case of services rendered, it may show only the price of the services supplied including VAT, and the applicable VAT rate);
- VAT rate(s) applied and the corresponding VAT amount(s); and
- If there is no VAT applied, specific indication of the reason for not charging VAT.

### Credit notes and debit notes

Credit notes are used in the case of the cancellation or reduction of the value of a past operation, adjusting the relevant value. Credit notes must comply with various requirements applicable to invoices and must always make reference to the invoices to which they relate, and must explicitly mention the amendment. The rules applicable to credit notes apply also to debit notes.

VAT on credit notes may or may not be included. Normally, the inclusion of VAT on credit notes does not have a financial effect.

### Additional export documentation

Export transactions should be reflected in the company's records through the specific form issued by the customs authorities for every export (namely the DU – 'Documento Único'), as well as any other documentation that supports the transaction (e.g. invoices).

### Record-keeping

The following records must be kept:

- Statutory accounting system – records of all operations according to their VAT treatment, original invoices received, and duplicates of invoices issued; and
- VAT books (for taxable persons without a statutory accounting system) – records of inventories, supplies of goods and finished products, services rendered, operations on fixed assets and inventories, by-products, and consumables as at 31 December each year.

When accounting is carried out through a computer system, all books, records, supporting documents, and other documentation related to the programming and treatment of data must be kept for five years.

The accounting documentation must be kept within the country at the company's head office or by its legal representative, to allow the tax authorities access to the documents when required.

## **Specific VAT rules**

### **Bad debts**

A taxpayer may deduct the VAT previously invoiced to a debtor only if the debt has been formally recognised by the court as a bad debt, or if the debtor is insolvent or bankrupt. If the taxpayer subsequently recovers part of the outstanding debts, he must account for output tax.

### **Land and buildings**

The supply of land and buildings is, in principle, subject to property transfer tax. Operations subject to property transfer tax are exempt from VAT. As the transfer of land and buildings is subject to property transfer tax, these operations are VAT-exempt. The letting of immovable property is also exempt from VAT (with some exceptions). These exemptions do not give the supplier the right to deduct the VAT incurred on its inputs.

### **Leasing**

Leasing is considered a supply of services subject to the standard VAT rate of 15% in Cape Verde.

### **Promotional gifts**

The supply of promotional gifts and samples is not considered a supply of goods, and is therefore not subject to VAT if the unit value of the promotional gift or sample being supplied is lower than CVE3 000, and the total amount of supplies of these goods does not exceed 0,5% of the annual turnover of the taxpayer in the previous year.

### **Second-hand goods**

Second-hand goods are subject to VAT. The tax is applicable to the difference between the sale price and the purchase price. Invoices issued by taxpayers engaged in selling second-hand goods must contain the wording 'VAT – second-hand goods', and must not include the VAT amount. Exports of second-hand goods are, in most cases, zero-rated.

## **Tourism industry**

The tourism industry is very important for Cape Verde's economy.

There is a special regime for travel agencies and tour operators. Where these operators deal with the clients in their own name, and use supplies of goods or services provided by other taxable persons in the provision of travel facilities, VAT is due based on the margin. As for second-hand goods, the invoices issued under this regime must not include the VAT amount, but should include the statement 'VAT included'.

### **Currency conversion**

When invoices are issued in foreign currency, the taxable basis should be determined using the Cape Verdean Central Bank exchange rate for the date the VAT becomes chargeable or for the first working day of the month in which the VAT became chargeable.

### **Transfer of a business**

The transfer of a totality of assets (business), or part thereof (if constituting an independent activity), is excluded from tax, provided the recipient is or will become a taxable person.

### **Warranty repairs**

No specific VAT rules apply to warranty repairs.

## **Other indirect taxes**

### **Import duties**

Import duties are levied on the importation of goods. The taxes vary according to the Customs Tariff Schedule.

### **Excise duties**

Excise duties are charged on the import, production, or introduction to consumption of several goods, namely beverages, tobacco, perfume, cars, jewellery, clothing, weapons, etc. The tax rates range from 10% to 150%.

## **Tourism tax**

Since 1 May 2013, a tourism tax applies to accommodation in the hotel sector. The tax amounts to CVE220 (EUR2) per person, per night, for people aged over 16 years for a period not exceeding 10 consecutive nights.

### **Customs Statistics Tax (TEA)**

TEA is charged on services provided by the SYDONIA++ system to private individuals, and will be applied *inter alia* to customs statements on each addition of goods to a customs declaration, and to each process for a customs exemption.





# Chad



## Introduction

VAT was introduced in Chadian legislation on January 1, 2000 by Law No. 024/PR/99 to replace the Turnover Tax.

## Rates and scope

There are two rates:

- The standard rate is 18% on a 'without taxes' basis and applies to all taxable operations; and
- The 0% rate applies to exports and related international transportation.

An operation performed in Chad which constitutes an economic activity and for which payment is made, unless included in the list of exemptions, is liable to VAT even if the residence of the natural person or the registered office of the legal entity is located outside Chad. The tax basis corresponds to the amount of money paid for the provision of goods or services.

In the case of importation, the tax base corresponds to the customs valuation (price of sale of goods plus cost of insurance and transportation, etc. until arrival in Chad), plus any excise duties.

## VAT registration

### Compulsory registration

Every person who is liable for paying VAT has to make a declaration of existence and register with the Directorate of Large Companies ('Direction des Grandes Entreprises') within 15 days following the beginning of its activity.

### Group and branch registration

A foreign company can establish economic activities in Chad either by setting up a branch, or through a Chadian legal company (subsidiary). A branch will be registered in the Trade and Personal Credit Register, and will have a legal representative who will perform several administrative formalities (administrative authorisation for pursuing a commercial activity, foreign merchant's card, etc.).

## Non-residents

Financial operations carried out between Chad and foreign countries are subject to either a declaration or an authorisation.

The setting up of every direct investment in Chad is subject to a prior declaration to the Ministry of Finance by:

- Natural or legal persons with their usual residence or head office in a foreign country;
- Companies in Chad of which at least 10% is owned directly or indirectly by a foreign firm; or
- Foreign companies' establishments in Chad.

VAT applies where the service is provided or utilised, or where the product is manufactured, or first put on the market. Where such place is different from the head office or the main establishment, the taxpayer must appoint a solvent representative

## Contact details – PwC Tax and Legal

PwC contact person	Address	Contact details
Oscar d'Estaing Deffosso (Manager)	Immeuble Star National BP 1899 N'Djaména Chad	Tel:(235) 2252 38 96 Mobile:(235) 6627 22 44 / (235) 9998 00 98 Fax: (235) 2252 07 24 E-mail: manager.pwc@intnet.tdor oscar.deffosso@cm.pwc.com

accredited by the tax authority of the said place (a resident in Chad), who will be jointly and severally liable for VAT. In case of failure to appoint a representative, VAT and, where applicable, the attendant penalties will be borne by the client on behalf of the taxpayer without a fixed or permanent professional establishment in Chad.

It is not a requirement to have a bank account in Chad.

### **Deregistration**

Any termination, transfer, or modification of the activity is subject to a declaration.

### **Output tax**

The taxpayer must deliver an invoice for every taxable operation entered into with other taxpayers. The invoice must show (inter alia) the amount without taxes, the applicable VAT rate, the VAT amount, and the amount inclusive of VAT.

If some operations of the taxpayer are not subject to VAT, the invoice must separate the operations that are subject to VAT and the ones that are not.

### **Exempted supplies**

The following supplies, activities, and income streams fall outside the scope of the VAT system:

- Sales made directly to consumers by farmers, ranchers, and fishermen of unprocessed products of their culture, breeding, or catch;
- Transactions involving postage stamps, tax stamps, and stamped papers issued by the State and local governments;
- Import operation, sale of newspapers and periodicals with the exception of advertising revenues;
- Services or operations of a social, health, educational, sporting, cultural, philanthropic, or religious

nature rendered by non-profit organisations whose management is voluntary and disinterested, and when these operations are directly related to the collective defence of the moral or material interests of their members (unless the operations are performed in a competitive industry);

- Amounts paid to the central bank responsible for the privilege of issue, and the products of the operations of this generative bank of the issuance of tickets;
- The lease of undeveloped land and bare premises;
- Benefits under the lawful exercise of medical or paramedical professions with the exception of accommodation and catering costs;
- Supplies by educational institutions operating under a licence issued by the Ministry of Education, and practising with an approved price;



- Imports of certain petroleum and mining research materials;
- Sales made by painters, sculptors, engravers, and weavers where they concern only the products of their art, if the annual turnover does not exceed (in Chadian Central African CFA Franc / XAF) FCFA20 million (approximately USD40 700);
- Fuelling of aircraft departing to a foreign country;
- Sales, transfers or services provided by the State, local authorities, and public institutions;
- Products of prime necessity which are exempt from Turnover Tax;
- Equipment and property solely intended for oil and mining exploration which are subject to an order of the Minister of Finance;
- Potable water and electricity produced by the Water and Electricity Chadian Company, or any other company that would replace them;
- Interest paid on foreign loans;
- Interest paid on deposits made by non-professionals with credit institutions or financial institutions;
- Examinations, consultations, treatments, hospitalisations, analytical work of medical laboratories, and prosthetic supplies carried out by health facilities;
- Inputs of livestock products and fisheries used by the producers;
- Rental of empty premises for housing;
- Small fishing equipment, machines, and agricultural equipment;
- Materials, equipment, and services necessary for the production and export of cotton fibre;
- Materials, equipment, and services necessary for the production and distribution of water and electricity;
- Baked bricks manufactured locally;

- Interest paid on credits amounting from FCFA1 to FCFA1 million granted by financial institutions of micro credit with a repayment schedule of at least six months and monthly instalments less than or equal to FCFA100 000;
- Interest on house loans (mortgages) granted by financial institutions;
- Games of chance (gambling) and entertainment;
- The purchase and import of materials and products used to combat HIV / AIDS, malaria, tuberculosis, yellow fever, and severe viral infections related to childhood diseases and diseases of the aged who are destitute under the conditions laid down by regulation; and
- The acquisition of materials and equipment for the production and promotion of renewable energy.

#### **Zero-rated supplies**

There is a 0% rate for exports and related international transportation. This 0% rate only applies to exports that have a statement duly stamped by the Customs Services.

#### **Input tax**

##### **Input tax allowed / Tax allowance**

Only registered taxpayers that are subject to the simplified tax system ('Système simplifié d'imposition') or to the effective system ('Système du réel') are entitled to a tax allowance.

These taxpayers carry out taxable operations, usually or occasionally, in an independent manner. VAT is only refundable if the goods and services are necessary for the activity. VAT is refundable until the end of the second fiscal year following the financial year of the generating event.

Tax paid on sales of goods or the provision of services that have been cancelled, annulled, or not yet paid for may be deducted from the VAT to be paid in the future.

#### **Input tax expressly denied**

Non-taxpayers and persons who are subject to the general and full discharge of tax ('Impôt Général Libérateur' – income tax for small entities), except if they have chosen the simplified tax system, are not allowed to deduct VAT.

For some operations, the VAT deduction is expressly denied, for example:

- The expenditure on housing, accommodation, catering, reception, entertainment, car rental, and transportation of persons;
- The importation of goods and merchandise re-dispatched in the State;
- Services linked to goods for which a VAT deduction is denied;
- Petroleum products, except fuel purchased for resale by importers or wholesalers;
- Property transferred without compensation or for a fee well below their normal price, particularly as a commission, salary, bonus, or gift and whatsoever the quality of the beneficiary or the form of the distribution; and
- Vehicles or machines of whatever nature designed and fitted for the carriage of persons or for mixed usage, constituting an asset, as well as spare parts, accessories and maintenance costs, and/or repair of such vehicles or machines.

#### **Partial exemption**

Some firms are subject to a partial exemption because they carry out both operations that are subject to a VAT deduction and operations that are not. When performing taxable and non-taxable (exempted) operations, the deductible VAT is calculated on a pro rata basis, which is determined as follows:

$$\text{Taxable operations} + \text{exports} \times 100 = \% \text{ of VAT which is deductible}$$

---


$$\frac{\text{Taxable operations} + \text{exempt operations} + \text{exports}}{1}$$

The taxpayer may also choose to divide into sectors for VAT purposes (subject to conditions), namely a taxable sector (where VAT paid to providers is fully deductible) and an exempt sector (where VAT paid is not deductible). The VAT paid to providers for goods and services necessary for both sectors is deductible upon a proportional share calculated as indicated above.

For the calculation of this proportional share, the following elements are not taken into account:

- Self-supply and the subsidies for non-taxable equipment;
- Sales of assets;
- Indemnities that are not consideration for a VAT taxable operation; and
- Reimbursement of disbursements (débours).

The pro rata calculation must be done to determine deductible VAT, and the deduction may be made only after verification of the ratio. Furthermore, the amount of the final proportion must be settled at the latest by the filing date of the Statistical and Tax Declaration.

### **VAT deduction on foreign services**

For suppliers (service providers) with no professional installation in Chad, the VAT charged on the price elements of a taxable transaction may be deducted the month following that in which the taxable transaction was performed.

### **Adjustments**

When VAT has been deducted on fixed assets, and there is either a change in the law or a change of use before the fourth year following the year in which the assets were purchased, the taxpayer must pay back a part of the VAT previously deducted, which is calculated as one fifth per year spent since purchasing the asset. The full amount of VAT deducted must be paid back where services and goods that are not fixed assets are subsequently used for non-taxable operations.

In case of transfer, if the good is an asset to the buyer, the buyer can deduct the corresponding VAT or the amount repaid by the seller as regularisation, provided he himself is subject to VAT. However, this deduction is subject to the delivery by the seller to the recipient of a certificate indicating the amount of tax which is deductible.

## **International trade**

### **Imports**

For the importing of goods, the VAT base consists of the value of the goods as defined by the CEMAC Custom Code plus customs duties and excise taxes, except the VAT and the 4% tax deduction at source.

Usually, the value of the goods is the cost, insurance, and freight value upon arrival in Chad with the exclusion of VAT, and 4% tax deduction at source. VAT on imports will be paid at the same time.

### **Exports**

There is a 0% rate for exports and related international transportations. This rate only applies to exports where the documentation has been duly stamped by the Customs Services.

To the best of our knowledge, there are no specific rules relating to refunds to foreigners.

## **Place, time and value of supply**

### **Place of supply**

An operation is generally deemed to be performed in Chad in the following cases:

- The delivery of goods – if the goods are delivered in Chad;
- The supply of services – if the service is used or the right assigned to Chad, or exploitation of the leased property takes place in Chad;

- International transport – if the carrier has its domicile or habitual residence (individuals) or offices (legal person) in Chad; and
- Travel agencies – if commission is collected exclusively in Chad as soon as the agency is established in Chad.

### **Time of supply**

The time when payment of VAT must be made for a supply is as follows:

- For sale, delivery, and self-supply – at the occurrence of the initiating event;
- For provision of services and businesses to the State and local authorities – on payment of the price or instalment (in the case of a discount of a commercial bill, the VAT is payable on the date of maturity of the commercial bill); and
- For importation – at the time of the customs clearance.

Service providers and contractors, or companies that operate mixed supplies of goods and services, may be authorised to pay VAT on a debit basis. This authorisation does not apply to business conducted with the State or local authorities. In case of collection of the instalment before the debit note, the tax is due at the collection time.

### **Value of supply**

The value of supplies, which constitutes the taxable base, is as follows:

- Provision of services – the price of the services, or all sums, values, goods or services received or that will be received as consideration;
- Construction works – amount of the detailed account of the work, markets, invoices, or deposits as well as the works given to the subcontractor by the contractor;

- Deliveries and other kinds of exchange of goods carried out in Chad – customer sale price or all sums, value, goods or services received or that are receivable as consideration;
- Markets financed either by the State budget or through loans, grants or donations regardless of the origin – the amount of all taxes, duties and fees, including withholding taxes except VAT, and the 4% provisional instalment;
- Self-supply – purchase price (excluding VAT) of goods bought and used in the State, and manufacturing cost of extracted, manufactured and produced goods or services, with a share of the overheads and head office costs;
- Imported goods – value of the goods as defined by the CEMAC Customs Code, plus the amount of custom duties, excise taxes and other possible taxes, except the withholding tax of 4% (usually, the value of the goods is the value of cost, insurance and freight, excluding VAT and the withholding tax);
- Second-hand goods – either the full price without taxes if the seller bought the goods from another seller subject to VAT, or the purchase price increased by the mark-up without taxes if the seller bought the goods from another seller who is not subject to VAT; and
- Returnable packages (that can be identified, returned, and reused) – the transfer price when these packages are not returned at the end of the time of use in the profession.

The bases defined above consist of all included costs and taxes with the exception of the VAT and withholding tax liquidated by natural and legal persons. The following amounts also form part of the value of a supply:

- All taxes, fees, duties and withholding taxes, except the VAT and the 4% withholding tax;
- Incidental expenses for the delivery of goods and services invoiced to customers;
- Allowances – not having any characteristics of damages and interest;
- Subsidies that are consideration for a taxable operation or that are the additional price for such an operation or that are assigned to compensate for the overall insufficiency of the business activity revenues; and
- Reimbursement of the expenses made by a supplier for one of its customers, unless they are re-invoiced for the exact amount (disbursements or débours), and on the express condition that the invoice is accompanied by the original documents.

The following items do not form part of the value of the supply:

- Discounts, rebates, and other price reductions made directly to customers in the usual course of the activity;
- Payment received upon delivery of identifiable, recoverable, and reusable packages; and
- Receipts that are not consideration for a business (e.g. damages).

## VAT compliance

### Accounting basis and tax periods

The amount of VAT payable corresponds to the VAT collected minus the deductible VAT. The balance has to be paid when submitting the return to the Tax Administration. Even if there is neither taxable nor deductible VAT for a month, the form should be filled in and submitted.

At the end of the fiscal year, when the turnover is determined, the proportion of deductibility has to be recalculated accordingly, and deductible VAT regularised. If the taxpayer has chosen to divide into sectors for VAT purposes, it is possible

to adjust the sectors according to exempted/non-exempted activities performed.

### Returns and payment of VAT

VAT returns must be submitted:

- Within 10 days of the month following the carrying out of the taxable operations for taxpayers with a VAT-exclusive turnover of more than FCFA500 million; and
- Within 15 days of the month following the carrying out of the taxable operations for the other taxpayers.

If there are no taxable operations during the month, a blank tax return with the wording ‘néant’ (none) must be returned to the Tax Administration.

### Penalties

Penalties concerning declaration

- A fine of 500 000 FCFA for the failure to declare existence, transfer, termination, or death.
- A fine of 200 000 FCFA per month for failure to file the return for the real tax regime and FCFA500 000 quarterly for the simplified tax regime.
- Interest of 5% for late payment per month or fraction of a month sanctioned for untimely payments, with a maximum of 50%. This interest is levied concurrently with the fine for failure to produce the declaration.
- A fine of 100 000 FCFA for failure to file the return on calculating the provisional or final proportion.

Penalties for good and bad faith

- A fine of 200 000 FCFA for failure to file the return or in case of filing a ‘néant’ (none) return in bad faith. Bad faith is defined as when a taxpayer filed a ‘none’ VAT return, while he later deposited one or more VAT declarations involving operations for the period under which he filed a ‘none’ return.

- If adjustments are made in good faith, a penalty of 5% is applied monthly or by fraction of months with a maximum of 50%. This penalty may be increased to 100% when bad faith is established.

Penalties concerning sales invoices:

- For sales without invoices – a tax penalty equal to 50% of the duties compromised, and a fine of 100% of duties for a repeated offence.
- For a request for deduction of tax paid on an invoice which does not correspond in part or in full to an acquisition of property or to a provision of service – a penalty of 100% of the unpaid taxes.
- The absence of the tax ID number (NIF) on accounting records such as invoices, on both sides of a business transaction (i.e. customer and supplier / provider and recipient), will result in the non-deductibility of the VAT mentioned on the invoice, and the non-deductibility of the amount charged in the expenses of the beneficiary, provided that:
  - the non-deductibility of VAT applies to taxable income and to invoices exceeding 25 000 FCFA (all taxes included)
  - all invoices without NIF are eligible for an administrative tolerance if the total of invoices without the NIF does not exceed 2 million FCFA for a fiscal year.

There is a 5% interest for late payment per month or fraction of a month sanctioned for late payments, with a maximum of 50%.

The interest will not be waived if the non-compliance does not result in a loss to the State or in a benefit to the taxpayer, but the taxpayer will be sanctioned for late filing with a fine of 200 000 FCFA per month.

### Refunds

To the best of our knowledge, there are no refunds of the excess in practice. If the amount paid exceeds

the VAT payable, the tax credit can be offset against the VAT payable during the 12 months following the tax credit-generating event.

### Time limits

If there is any insufficiency, mistake or omission, the Tax Administration can claim the VAT owing within a period of three years from the time the VAT became due.

If the credit (resulting from excess input tax) is not offset against the VAT payable during the 12 months following the origination of the credit, it will be lost. Such a loss is an expense that is deductible under corporate tax.

### VAT records

#### Tax invoices

Invoices delivered by the taxpayer to the customer must indicate the following:

- The exact name and address and tax identification number (TIN/ NIF) of the taxpayer;
- The tax identification number if the customer is liable;
- The date and serial number of the invoice;
- The name and address of the client;
- The description and the quantity of goods or services;
- The amount of tax-free transactions;
- The VAT rate applied and the amount of the VAT;
- The amount inclusive of all taxes;
- The registration number with the Register of Commerce and Companies;
- The amount of capital (for companies);
- The words 'invoice (facture)' or 'avoir'; and
- The form of the company (for legal persons).

Finally, partial taxpayers must distinguish between transactions subject to VAT (some of which may be exempt), and those that are out of scope (i.e. not within the scope of VAT).

### Additional export documentation

Exporters have to show written proof in the form of a receipt from the country to which the goods were exported, and proof of the repatriation of the money by the foreign exchange transaction service.

### Record-keeping

In the case of the simplified tax system, taxpayers must have regular and available bookkeeping in Chad with the following documents:

- A numbered and initialled journal book;
- A sales book;
- A purchase book; and
- An inventory book.

Under the normal (real tax) system, taxpayers must keep the following documents:

- A sales book;
- A purchase book; and
- An inventory book.

All these documents must be kept for a period of 10 years.

### Specific VAT rules

Land and buildings, and insurance and reinsurance contracts

The following supplies fall outside the scope of the VAT system:

- Operations relating to the rental of undeveloped land and bare premises; and
- Rental of bare premises used for housing.



The following are subject to specific taxation exclusive of any tax on the turnover:

- Operations with the aim of transferring real property and intangible personal property subject to registration fees, excluding operations of the same nature carried out by property dealers or those of credit lease; and
- Transactions related to insurance and reinsurance contracts made by insurance and reinsurance companies in the normal course of their business, as well as services relating to these transactions by brokers and other insurance intermediaries.

### **Leasing**

The VAT base for leasing operations consists of the amount of rentals invoiced by leasing companies, and at the end of the contract it is the transfer price agreed in the agreement (sale) if the option to purchase is raised by the lessee; or by the transfer price in case of sale to a third party.

### **Second-hand goods**

For second-hand goods, the VAT base consists of the following:

- The full price excluding tax if the taxpayer acquired the property from another taxpayer and deducts the VAT charged to him; and
- The purchase price plus the margin exclusive of tax if the taxpayer acquired the property from a non-taxpayer, or has decided not to deduct the VAT charged by the taxable supplier.

### **Transfer of business**

The transfer of real estate and intangible personal property is liable to taxes on transfer (registration fees). However, operations carried out by a property or leasing agent fall outside the scope of the transfer tax system, and thus, under the scope of the VAT system.

## **Other indirect taxes**

### **Import duty**

The tax base of customs duties corresponds with the customs valuation, namely the selling price of the goods, including the cost of delivery to Chad (costs of insurance, transportation, etc.).

The rates of customs duties depend on the nature of the goods and range from 5% to 30%, with the rate for essential goods being 5%; raw materials and equipment goods: 10%; intermediate and various goods: 20%; and convenience goods: 30%.

### **Excise duty**

- Excise duty applies to consumer goods: cigarettes, drinks (water, beer, and wines), cosmetics, and luxury products. Excise duty rates depend on the nature of the goods, ranging from 5% to 30%. According to the Tax Administration, the tax base is as follows:
- Goods manufactured in the CEMAC zone – price of the goods delivered at the factory; and
- Other goods – same valuation as for customs duties.

### **Transfer duty**

Fixed or proportional transfer duties are due on the transfer of ownership, usufruct or enjoyment of personal property and real estate either by gift or as a result of death. They are also due on contributions to companies, because of marriage, and in the case of the division of property.

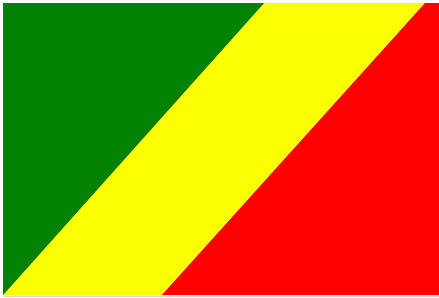
## **Stamp duty**

Stamp duties are due on each civil or judicial document that is intended to be used as evidence. Stamp duty is generally CFCA1 000 per page. There is no stamp duty greater than CFCA2 000 or less than CFCA900, whatever the size of the paper. Some amendments (January 1, 2013) consist of the following:

- All claims for reimbursement submitted to the Board are subject to a stamp duty of CFCA2 000;
- Requests to the administration for professional competitions are subject to a stamp duty of CFCA1 000;
- Applications for allocation of land are subject to a stamp duty of CFCA1 000;
- Invoices for supplies to the administration of less than CFCA1 million are subject to a stamp duty of CFCA5 000, and the same applies to certificates of sale of reshaped vehicles and materials of vehicles of the State and public bodies;
- All invoices that accompany an order of the Administration in lieu of a service contract or a public market are subject to a stamp duty of CFCA5 000; and
- Any application other than those mentioned above addressed to the Tax Authorities is subject to a stamp duty of CFCA2 000.



# Congo



## Introduction

The VAT system was introduced in the Congo on 12 May 1997 to replace turnover tax.

The VAT authority in the Congo is the General Directorate of Taxes and Domain ('la Direction Générale des Impôts et des Domaines'), which is divided into the Unit for Large Businesses (UGE), and the Division Inspectorate for Direct and Indirect Contributions (IDCDI) depending on the total amount of the turnover (up to XAF500 000 for IDCDI and above XAF500 000 for UGE), and the Oil-related Taxation Inspectorate (IDFP) for oil and gas subcontractors.

## Rates and scope

The standard rate of 18% applies to all taxable operations not covered by the zero rate, or subject to the reduced rate.

A reduced rate of 5% is applicable to petroleum products imported from Cameroon by companies in the forestry sector, and to certain common goods such as cement, sugar, tomatoes, salt etc.

Additional tax is payable to the advantage of local communities at the rate of 5% of the amount of VAT.

VAT is a tax that consumers pay on the importation of goods or the consumption of goods and services. For taxpayers, it would be a neutral tax. In general, all economic activities conducted for consideration by a taxpayer in the Congo are subject to VAT regardless of their purpose.



## VAT registration

### Compulsory registration

Both legal entities (in the private and public sectors) as well as individuals can be considered liable for VAT if they carry out taxable operations within the scope of VAT, independently and habitually, and the operations consist of economic activity for a valuable consideration.

Apart from the general principle of liability, which must be applied to each case, liability is automatic when annual turnover exceeds XAF40 million (approximately USD81 400) for all activities, including liberal professions under the flat tax scheme. The following businesses and professions are automatically liable even if their annual turnover does not exceed XAF40 million: bakeries, public works enterprises, wholesalers, importers, and chemists.

An operation consisting of imports, delivery of goods or the provision of services which forms part of an economic activity for a consideration by a taxpayer is taxable if it is carried out for a valuable consideration by individuals or entities.

The performance of an operation for a consideration implies that the acquirer of the goods or the beneficiary of the services provides a consideration regardless of its nature (money, goods, services, etc.) and value. In this respect, it is irrelevant whether the operation is carried out for profit or speculatively, or whether it results in a profit or loss. Thus, the delivery of goods or the provision of services is liable to VAT even if made at cost.

### Voluntary registration

Voluntary registration is not allowed if a business's annual turnover does not exceed the threshold for compulsory registration.



## Contact details – PwC, Congo

Physical address	Postal address	Telephone numbers
88, avenue du Général de Gaulle Pointe-Noire	B.P. 1306 Pointe-Noire Congo	Tel. (242)05 534 09 07 / 06 658 36 36 + 294 58 99 / 294 38 28 / 294 58 98 Fax: (242) 94 23 34
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### Group registration

Group registration is not allowed. Legal entities that are closely connected must register for VAT individually.

### Non-residents

Non-resident businesses are required to appoint a solvent resident as tax representative in order to register for VAT in the Congo.

The application of the territoriality criteria defined by the law means that services provided (or used) by a foreign company on Congolese territory are liable to VAT. A foreign service provider must designate a solvent resident as tax representative who is liable for VAT in order to prepay, declare, and transfer the tax due on the service provider's behalf. The VAT must be paid by the tax representative of the liable foreign company. It is then recorded in a VAT account on behalf of third parties, after which it is declared and transferred.

A foreign service provider and his resident tax representative will be jointly liable for payment of the tax due on taxable operations performed in the Congo.

The resident tax representative is subject to the penalties specified in matters where operations performed by the service provider are in its favour. In these terms, any operations performed in the Congo in favour of one or more third parties are not declared. A foreign service provider cannot claim any right to deduct the VAT charged to it.

A branch belonging to a foreign company and non-established businesses (carrying on their activity under the short-term licence regime, the 'Autorisation Temporaire d'Exercer des activités commerciales') must register for Congolese VAT.

### Application for registration

If the liability threshold is reached during the financial year, or is

envisaged for future years in the case of new businesses, the parties concerned are obliged to carry out all the administrative registration formalities at the General Directorate of Taxes and Domain ('la Direction Générale des Impôts et des Domaines') in order to comply with the statutory provisions.

The main formalities, which must be performed within a fortnight of exceeding the threshold or of the start of the activity, are drawing up and filing a declaration of existence and applying for VAT liability. This application, on a prescribed form, accompanies the declaration of existence and application for VAT liability (companies or individuals). The VAT department acknowledges the receipt of the application and issues a registration certificate, which then makes the party liable for VAT, and allocates a unique tax identification number (NIU) to the taxpayer.

New taxpayers undertaking a commercial activity in the Republic of the Congo are required to apply for an identification number (ID number). This reference must be mentioned on all invoices and on documentation provided to the Tax Administration. Failure to get this ID number will result in the company losing the ability to deduct the VAT paid to its suppliers, to proceed with clearance at the customs house, or to receive payment from the Tax Administration. In order to obtain this tax identification number, the company has to pay a legal fee amounting to XAF10 000.

### **Deregistration**

All taxpayers must inform the Tax Administration about the termination of their business. As there is no standard form, this declaration must be made on plain paper by the taxpayer within 10 days of the event concerned in the case of individuals, and three months in the case of entities.

### **Output tax**

#### **Calculation of output tax**

The amount of VAT is determined by applying the rates to the net selling price of goods and/or services, excluding the VAT itself. In practice, suppliers of goods and services show prices excluding VAT. They must add VAT to their net prices, and they must record this output VAT for goods on the date their invoices are issued, and for services on the date they receive payment.

#### **Exempt supplies**

The exemption is automatic in (inter alia) the following cases:

- Sales of products relating to the activities of farmers, fishermen, breeders, and hunters;
- Social, educational, sports, cultural, philanthropic or religious operations conducted for their members by organisations

operating in a non-competitive sector, not for profit, and that are managed on a voluntary and disinterested basis;

- Operations involving stamps (revenue and postage) or the issue of banknotes;
- Imports of certain exempt goods;
- Services covered by the legal conduct of the medical and paramedical professions;
- School exercise books and textbooks;
- Certain medicines;
- The fraction of consumption of water and electricity said to be for social purposes, or for domestic purposes;
- Drawing, printing, imports and sales of newspapers, except for publicity resources;
- Renting of real property for housing purposes;
- Regulated activities of microfinance establishments;
- Livestock (except food for dogs and cats);
- Certain agricultural and plant fertilisers; and
- Monies paid by the Treasury to the Central Bank, which has the exclusive issuing right, and income from the Bank's operations generated from the issuing of banknotes.

The following operations, which are subject to specific taxation, are exempt from VAT:

- Sale of products from extractive activities;
- Interest on external debt;
- Banking operations – operations connected with insurance and reinsurance policies, and services relating thereto, performed by brokers and other insurance intermediaries;
- Transfers of property assets subject to registration duties;

- Interest on loans made abroad and on non-professional bank accounts; and
- Gambling and leisure games.

Congolese oil companies do not have to pay VAT on the operations that they carry on with their oil sub-contractors. However, this exemption only covers:

- Operations linked with oil activity;
- Oil sub-contractors approved by the tax department; and
- Operations carried out with oil companies, or between approved sub-contractors; the latter are entitled to reimbursement of the VAT that they have paid for exempt operations.

Provided that the oil company lists the foreign contractor as an oil services contractor, the latter will benefit from an exemption from VAT for deliveries of goods and services related to the oil industry.

For deliveries of goods and services that are not related to the oil activity, the foreign contractor must pay VAT to his suppliers, but is allowed to claim a refund of VAT paid (except in relation to private and domestic use). If unsuccessful in receiving a refund of VAT from the Tax Administration, the foreign contractor is allowed to deduct the VAT credits from any other tax payment, especially corporate income tax and personal income tax. The foreign contractor is also required to open a bank account in the Congo.

#### **Zero-rated supplies**

The zero rate applies to the local sale of produced woods, exports, international transport, and accessory international transport. Exports are considered as consignments of goods beyond the Congolese customs territory. The zero rate applies whether the goods are delivered directly by the exporter or via an agent.

However, the application of the zero rate is subject to the export being the subject of a declaration approved by the Customs Department, and the exporter appending the customs references of the goods that it has exported during the month up to the declaration. International transport is defined as all transport to or from a foreign country, whether passenger or goods transport, irrespective of the means used (air, sea, road, etc.).

In practice, the Authorities accept that operations incidental to the international transport of goods made in the Congo are zero-rated, provided that the goods are exported.

Zero-rated operations are considered liable to VAT, and therefore attract an entitlement to the deduction of paid VAT. Likewise, these operations are taken into account in the calculation of the taxable turnover, and as a result must be included in both the denominator and numerator of the calculation of any deduction percentage.

## Input tax

### Input tax allowed

VAT charged in advance on the price of a taxable operation is deductible from the VAT applicable to such operation. The concordance between the payment and deduction of VAT implies that the deduction right is created when the tax becomes payable by the taxpayer.

As regards foreign suppliers (including purchasing bodies of groups), the tax becomes payable when the invoice is issued. In order to observe the concordance between the payment and deduction of VAT, taxpayers who have opted for the debit system (service providers as well as constructors are authorised to do so) must specify this option on their invoices so that their customers can exercise their deduction as soon as they receive the invoice instead of when it is paid.

To be deductible, the VAT must be shown on the following accounting documents:

- Generally – invoices issued by suppliers legally authorised to issue them;
- For imports – import documents; and
- For self-deliveries – a special declaration made by the taxpayer himself.

As soon as the deduction right is created, the taxpayer may exercise it and enter the amount of deductible VAT on the monthly return filed by the 15th of the following month.

When a foreign supplier provides a service, VAT is deductible for the month during which the taxable operation was carried out.

### Input tax expressly denied

Input tax is specifically denied in respect of:

- Housing, accommodation, meal and entertainment expenses, including all expenses relating directly or indirectly to the taxpayer's residence, e.g. caretaking expenses;
- Imports of goods and services forwarded as is;
- Purchases of oil products, except oil purchased by importers and wholesalers in order to sell or produce electricity for sale;
- Vehicles and crafts designed or fitted out for passenger transport or for mixed use that constitute fixed assets, except:
  - utility road vehicles (i.e. not private cars) used by companies exclusively to transport their staff where the vehicle has more than eight seats in addition to the driver's seat
  - fixed assets of vehicle hire companies and public passenger transport companies

- goods transferred without payment or for payment well below the normal price, apart from low-value goods, and including goods transferred as commission, salary, and a gratuity or gift regardless of the capacity of the beneficiary or the form of the transfer (except where the unit price excluding taxes is below XAF5 000);
- VAT paid following tax audits;
- VAT paid in cash, on invoices exceeding, or equal to XAF500 000; and
- Taxpayers that fail to provide an excerpt of their trial balance of each account on VAT in accordance with the accounting system used by the company.

### Partial exemption

Under the allocation rule, taxpayers exercise their deduction right according to the allocation of the goods (depreciable fixed assets) on which the VAT has been paid. In principle, an entrepreneur is entitled to credit the VAT paid on his purchases of goods, equipment, and services for use in his business (input VAT) against the total of the tax he charges to his customers for deliveries made and services rendered by him (output VAT).

Taxpayers not exclusively carrying out transactions giving them a right to VAT deduction may deduct VAT proportionally on the portion of the income pertaining to taxable transactions, and not at a flat rate as was previously the case. This deduction applies to fixed assets and to goods and services, and is calculated on the turnover pertaining to the taxable transaction.

## Adjustments

The adjustment system consists of payment by the taxpayer of a fraction of the tax initially deducted for fixed assets if the asset concerned is removed from the balance sheet, or if its position with respect to the deduction right changes. However, the tax department has specified that there is no need for an adjustment in the event of deliberate destruction or scrapping of the asset.

A deduction of 100% of the VAT on the purchase of a fixed asset is subject to the asset being retained as such by the company until the end of the third year following its acquisition.

Example: Assume that a fixed asset is bought in Year 0. The cost (exclusive of VAT) is 100 and VAT of 18 is paid. The total VAT-inclusive cost is 118 and the deduction right is 18.

If the asset is sold after Year 4, no adjustment is required. However, if the position of the asset changes with respect to the deduction right, the taxpayer must pay a fraction equal to the tax initially deducted less one fifth per year, or part thereof since the acquisition. Therefore, if the same asset is sold in the middle of Year 2, the following adjustment is required:  $18 - (3/5 \times 18) = 7.2$ .

## International trade

### Imports

VAT is payable on the importation of goods when cleared for home consumption. The tax base varies as follows:

- For goods imported inside CEMAC – the tax base is the ex-works value minus transportation expenses; and
- For goods imported outside CEMAC – the tax base is the customs value plus excise duties and other taxes.

To be deductible, the VAT paid on imports must be shown on the import documents.

Services provided abroad and used in the Republic of the Congo are subject to VAT. When a taxable person established in the Congo receives services from a supplier domiciled abroad that is not registered for Congolese VAT, the recipient of the supply must account for the VAT when the invoice is paid.

### Exports

Goods exported from the Congo are zero-rated. Exports are considered as goods consigned beyond the Congolese customs territory. The zero rate applies whether the goods are delivered directly by the exporter, or via an agent. However, the application of the zero rate is subject to the export being the subject of a declaration approved by the Customs Department, and the exporter's appending the customs references of the goods that it has exported during the month prior to the declaration.

The provision of services by a Congolese company abroad to a foreign company is subject to VAT if the service is used by the foreign company for an activity conducted in the Congo, whereas a service provided in the Congo but used abroad is not subject to VAT.

In practice, VAT incurred by foreigners is not refunded.

## Place, time and value of supply

### Place of supply

VAT should apply to all business conducted in the Congo, i.e. with respect to sales, under the conditions for the delivery of goods in the Congo, and with respect to services where the service rendered is used in Congo.

As a result of these statutory provisions, the place of establishment of the parties to the contract, the place of invoicing or conclusion of the operation, and the place of performance of the service do not have any effect on the application of

VAT – only the place of consumption of the operation should be taken into account.

### Time of supply

The time of supply can be summarised as follows:

- Goods – when the right to dispose of the goods as owner is transferred; if the sale contract stipulates that the supplier retains ownership of goods, the VAT is due when the goods are handed to the buyer;
- Imports and oil products – when they are made available for consumption;
- Services – when the consideration is received, and for self-deliveries and self-provision of services, the time of supply is the first use or first commissioning; and
- Other cases – collection of the consideration.

### Value of supply

The taxable value of a supply is the total of all monies, funds, goods or services received in return for the operation, including subsidies and all expenses, taxes and deductions of any nature, excluding the VAT itself, which in practice means all payments in cash or in kind received by the supplier or service provider in return for the goods or the service concerned.

The taxable value of supply must be determined according to the nature of the taxable operation performed, particularly taking account of the elements summarised below:

- Goods deliveries – all sums or benefits, goods or services received by the supplier forming the consideration for the delivery, as well as all expenses, taxes of any nature, excluding VAT itself, and ASDI;
- Deliveries to oneself – cost price of mined, produced or manufactured goods;

- Provision of services – all monies and benefits received, and the value of any goods incorporated in the provision of the service;
- Swaps – value of the products or services received as payment for the goods delivered or services supplied, plus any money received;
- Second-hand goods trade – the vendor's profit margin;
- Property works – contract, invoice, or bill price;
- Travel agency services (provided by transport companies, hoteliers, restaurateurs, entertainment companies, and other taxpayers who physically provide the services used by the customer) – difference between the total price, including all taxes, demanded from the customer, and the price actually billed to the organisations concerned by suppliers and service providers contributing to the physical provision of the service received by the customer;
- State contracts financed by national budgets, contracts concerning public sector, industrial, commercial, scientific, technical and administrative corporations, semi-public companies, public sector authorities, and organisations with or without legal personality – contract price including all taxes, except for VAT itself;
- Imports inside CEMAC – ex-works value, excluding transportation fees; and
- Imports outside CEMAC – customs value of the goods plus customs or excise duties.

However, in principle, all operations where the consideration is not taxable should be excluded from the tax base, such as, for example:

- Price discounts, rebates, and reductions;
- Outward payments;
- Tips;

- Operations carried out by agents or brokers;
- Payments not made in return for a taxable operation; and
- Payments received as deposits for recoverable packaging.

## VAT compliance

### Returns and payment of VAT

The monthly VAT return is a VAT summary statement for the month reflecting the taxpayer's debit or credit position with respect to the Treasury. The return for a given month must be completed on a special form by the 15th of the following month, and must be accompanied by the payment instrument.

Administrations, as well as public bodies with an independent budget, must deduct the amount of VAT invoiced to them, and then transfer it as described below. They must also transmit to the fiscal administration, on a monthly basis, the detailed amounts that they have paid to their suppliers.

If no operations are carried out during a particular month, the return form still has to be filed, but will be marked 'nil'.

The VAT to be paid is equal to the difference between the gross VAT paid during the month (tax base x 18%), and the deductible VAT plus any VAT credit recorded for the previous month. This comparison, therefore, produces net VAT payable or a VAT credit. In the first case, the net VAT payable must be paid when the return is filed. In the second case, the VAT credit should be entered on a special line on the return for the following month. Alternatively, in certain cases it may be the subject of a refund application.

VAT taxpayers carrying structural VAT credit have the obligation to do inventories in the presence of Tax Administration representatives for companies in October, and failure

to comply with this requirement will result in the VAT credit being cancelled.

VAT taxpayers now have the obligation to provide an excerpt of their VAT trial balance of each account on VAT in accordance with the accounting system used by the company. Failure to comply with this will result in VAT deductions being reverted.

Exporters subject to VAT who realise more than 80% of their sale transactions abroad are obliged to withhold VAT paid on the purchase of goods and services (a list of exporters that are entitled to withhold VAT is published by the Tax Authorities).

VAT paid in cash in connection with invoices exceeding CFAF500 000 will not be deductible.

### Interest and penalties

Penalties which may be applied by the Tax Department, depending on the offences committed, are summarised below:

- Declaration of existence filed late or not filed – loss of the deduction right for the whole undeclared period and CFAF200 000;
- Late payment of the tax due for a month – 5% per month overdue (or part thereof) with a maximum of 50% of the tax due if the taxpayer has acted in good faith, otherwise 100% of the tax due;
- Monthly return filed after the eight-day formal notice period – 15% of the evaded tax per month (or part thereof) up to a maximum of 50% or CFAF200 000 if no tax is due;
- Omission or inadequacy observed in monthly returns – 50% of the evaded tax if the taxpayer has acted in good faith, or 100% if the taxpayer has not acted in good faith;



- Sales without issuing invoices – 200% of the tax due, and 400% of the tax due in case of a second offence;
- False invoices – 200% of the tax due; the offender is responsible for paying the tax due and the penalty of 200%;
- Failure to reply to requests for clarification or substantiation – automatic taxation: 25% with a minimum of 1% of the revenue earned during the period;
- Obstruction of a tax audit – automatic taxation;
- Taxpayer's inability to produce all books, exhibits, documents, and supporting items making it possible to determine the business's revenue accurately – automatic taxation;
- Failure to translate books or other documents into French – CFAF2 million; and
- Failure to comply with obligations regarding declarations, invoicing or spontaneous payment of VAT is subject to the following penalties after formal notices to comply and pay: seizure, sale, publication of defaulters' names in a legal notices paper, temporary suspension of the business licence (plus a bar on conducting business during the period), temporary exclusion from public contracts, and closure of the company.

In the event of a repeated offence, the Tax Department can order the taxpayer's definitive exclusion from public contracts, attachment, and a prison term of five to 15 days.

Interest will not be waived if the non-compliance does not result in a loss to the State or in a benefit for the taxpayer. However, the taxpayer may negotiate the taxes, fines, and the mode of payment of the tax claimed by the Tax Authorities, thereby renouncing his right to open up tax litigation. Also, fines and taxes discount or moderation could be obtained when they have become definitive.

## Refunds

Certain categories of profession and certain types of operation are entitled to refunds, such as oil businesses and exporters of goods.

## Objections and appeals

Taxpayers' monthly returns are audited by employees at the UGE, the IDCIDI or the Oil-related Taxation Inspectorate with at least the grade of inspector. These audits, which are conducted on the basis of documents or on site, may lead to an adjustment. Taxpayers may be represented by a third party, i.e. a tax adviser of their choice at these audits, which can be initiated at any time without notice.

The audit of the returns may lead to a notification of an adjustment by the Department that will inform the taxpayer, in addition to the errors discovered, of the amount per tax and per year of the duties, taxes, and penalties resulting from the proposed adjustments.

Taxpayers who receive an adjustment following an audit have a period of 30 days to make their comments. The Department must give its definitive response on receiving these comments and must provide grounds for any elements that it rejects.

## Time limits

The limitation period for rectifying errors and omissions in the tax base is four years from the year for which the tax is due.

The deduction right must be exercised within 12 months following the fiscal year during which the VAT became payable. This 12-month period applies solely to exercising the deduction right, and not to VAT credits. Thus, a VAT credit generated during a given month may be set off against the VAT collected in subsequent months without any time limit.

## VAT records

### Tax invoices

All taxpayers must issue invoices for the goods that they deliver or the services that they provide to another taxpayer, and for advances received for the provision of services where tax is payable as a result. Generally speaking, the invoice, written in the French language, should show the following:

- The name, address, and single identification number of the taxpayer issuing the invoice;
- The name, address, and single tax identification number of the customer;
- A number identifying the invoice;
- The date of the invoice;
- A description and the quantity of the goods or the extent of the services; and
- The tax rate and the corresponding tax, the price excluding tax, and the total amount with taxes included.

The price must be indicated in CFA francs. Electronic invoicing is not yet allowed in Congo.

A service provider who has opted for payment on debits must expressly state this option on the invoice. In addition to these strict VAT obligations there are other obligations under economic regulations (including the trade register number and bank account number). Operations performed with non-taxpayers are invoiced at the amount including tax, unless they can claim a dispensatory tax system authorising invoicing excluding tax.

Any party entering VAT on an invoice or any equivalent document is liable for the VAT simply as a result of charging it. If the invoice or document does not correspond to the delivery of goods or the provision of a service or refers to a price not actually paid by the purchaser, the VAT is due by the invoicing party.

### Credit notes and debit notes

A supplier must issue a credit note or a debit note in the following cases:

- If the amount payable for a supply has changed because the supply is cancelled, the nature of the goods or services has been fundamentally changed, or the accepted price has been changed;
- If part of, or all the goods are returned to the supplier; and
- If a tax invoice has already been issued for the supply, which is now incorrect.

### Record-keeping

Taxpayers must keep regular accounts, including a paginated and initialled journal, a general ledger, a purchases journal, and an inventory book.

The accounts must be available in the Congo, and presented in French, and made out in CFA Francs. Accounting documents and supporting documents for operations performed by the taxpayer must be retained for 10 years from being recorded.

### Specific VAT rules

#### Land and buildings

Insofar as transfers of real estate assets are subject to registration duties, VAT is not applied to the sale of a house.

Rental of empty residential houses between individuals, between legal entities, and between individuals and legal entities are not subject to VAT. However, rental of all types of premises for use as commercial, business or residential premises by real estate professionals, and rental of fully fitted premises (e.g. furnished residential premises), regardless of who the landlord is, are subject to VAT. In practice, tenancies are subject to VAT if the landlord is already liable for VAT for his/her/its other activities.

VAT applies to rent, rent supplements, and advance rent. The deposit is not subject to VAT unless it corresponds to rent paid in advance. Service charges for which the tenant is billed in addition to the rent are exempt from VAT if they correspond to simple reimbursement of expenses but are subject to VAT if a flat sum is charged.

### Leasing

Leasing is a service subject to VAT. Thus, VAT applies to rent billed by the supplier of such services.

### Promotional gifts

Goods transferred without payment or for payment well below the normal price, apart from low-value goods, do not give an entitlement to deduction. This includes goods transferred as commission, salary, or a gratuity or gift, regardless of the capacity of the beneficiary or the form of the transfer. However, the deduction is allowed for goods of which the unit price without taxes does not exceed CFAF5 000.

### Second-hand goods

Sales of second-hand fixed assets (whether used by companies for the purposes of their business or not) are not subject to VAT, and must therefore be declared as non-taxable operations in the monthly return.

If such goods are sold within three years of their acquisition, the taxpayer must pay an adjustment. As an exception to this rule, all operations carried out by dealers in second-hand goods fall within the scope of VAT under ordinary conditions. The exemption for sales of second-hand goods is not applicable to sales made by professional second-hand traders.

### Transfer of a business

The transfer of a business (transfer of goodwill) which is subject to registration fees is exempt from VAT.

### Other indirect taxes

#### Import duty

Customs tax rates vary according to the category of the imported goods, and are as follows:

Category 1: Goods of primary necessity – 5%;

Category 2: Raw materials and construction equipment – 10%;

Category 3: Intermediary products – 20%; and

Category 4: Common consumer goods – 30%.

For products coming from other CEMAC member countries (Cameroon, Central African Republic, Equatorial Guinea, Gabon, and Chad), the general preferential rate is 0%.

#### Excise duty

Some products, such as tobacco, perfume, camcorders, and jewellery, are subject to excise taxes. Excise duties on locally made products are at the rate of 10%, while imported goods are subject to excise duty at the rate of 25%. The excise taxes have the same base as VAT.

#### Transfer duty

A money transfer made from the Congo to foreign countries (outside the CEMAC zone) is subject to transfer duty at the rate of 1% of the total amount.

#### Stamp duty

The normal stamp duty in Congo is currently CFAF1 000 per page of the document subject to registration. The stamp duty is applied in addition to the registration fees. There are various rates of registration that depend on the legal status of the assets transferred, for example goodwill: 10%; movables: 4%; real assets: 10%; registration of authorised capital: 3%; and transfer of shares: 5%.

# Côte d'Ivoire



## Introduction

The VAT legislation is contained in the General Tax Code. VAT was introduced in 1960 to replace the local tax on turnover. There is no special VAT authority in Côte d'Ivoire. Every tax office deals with all taxes due by the taxpayers under its jurisdiction.

## Rates and scope

VAT is levied at a single rate of 18%, except when an exemption or zero-rating applies. VAT is reduced to 9% on certain food products such as milk, pastas, and production equipment for solar energy as well as those for oil companies.

This measure generates structural credits of VAT for the companies concerned, which are allowed to receive a VAT credit refund for the operations liable for VAT at the reduced rate.

VAT is charged on the supply of goods and services rendered or used in Côte d'Ivoire. All economic activities fall within the scope of VAT, including the activities of independent professionals (lawyers, chartered accountants etc.), with the exception of banking activities, which are subject to a special tax on banking operations (at a rate of 10%). The rate of the tax on banking operations is reduced to 5% when the banking operations involve small and medium-sized businesses linked to their activities, regardless of the credit purpose.



## VAT registration

### Compulsory registration

There is no special registration just for VAT purposes. A compulsory tax registration applies to business entities located in Côte d'Ivoire. This general tax registration covers VAT as well.

### Non-residents

The client of a non-resident service provider plays the role of local fiscal representative for VAT under the reverse-charge rule.

#### Application for registration

The general tax registration application lodged with the relevant tax authorities covers VAT as well.

### Deregistration

The general tax deregistration principles apply.

## Output tax

### Calculation of output tax

VAT is calculated on the basis of the price of goods or services including all the additional charges borne by the customer such as transportation charges, package charges, and insurance. Advertised prices are generally stated inclusive of VAT, but it is possible to advertise prices exclusive of VAT if it is clearly stated in the advertisement that the prices are exclusive of VAT.

### Exempt supplies

The main exemptions apply to professions concerned with activities related to the following:

- Health;
- Insurance and reinsurance;
- Agriculture;
- Transport companies; and
- Education.

## Contact details – PwC, Côte d'Ivoire

Physical address	Postal address	Telephone numbers
Abidjan – Plateau, Building ALPHA 2000, 20 <sup>th</sup> floor	01 PO Box 3173 Abidjan 01	00 225 20 31 54 00 00 225 20 31 54 60
PwC contact persons	Designation	Contact details
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Hermann Gnango	Consultant	hermann.gnango@ci.pwc.com

### Zero-rated supplies

The export of goods and similar transactions are zero-rated supplies.

### Input tax

#### Input tax allowed

VAT incurred on the acquisition of goods and services wholly attributable to the making of taxable supplies may be claimed as input VAT.

#### Partial exemption

Any VAT incurred on the acquisition of goods and services that cannot be wholly attributed to the making of taxable supplies may be deducted as input VAT in part only. The apportionment of input tax that can be claimed is determined by reference to the ratio of the turnover of taxable supplies of the company to the non-taxable turnover.

### Adjustments

No subsequent adjustments need to be made in respect of a change of use of the goods or services.

### International trade

#### Imports

VAT on imported goods is due during the customs clearance procedure, except for exempted goods.

VAT related to services rendered by non-resident companies is collected through the reverse-charge mechanism. The VAT due is declared and paid by the client located in Côte d'Ivoire.

#### Exports

Goods exported are zero-rated, but exporters are entitled to recover VAT on their inputs. Tax credits may be refundable, subject to certain conditions.

Services related to export operations are exempted from VAT. The export of services (services rendered to non-residents) is subject to VAT, provided the services are used in Côte d'Ivoire.

VAT paid by foreigners on goods exported by them is not allowed as a refund. Refunds are also not allowed to foreigners in respect of services consumed in Côte d'Ivoire.

### Place, time and value of supply

#### Place of supply

VAT is due on supplies in Côte d'Ivoire on both importation and local sales.

#### Time of supply

For VAT purposes, a supply of goods is deemed to take place at the time of the delivery of the goods. VAT is due at the time of the delivery of goods on the issued invoices.

In the case of services, the operation is deemed to take place at the time of the performance of the services. VAT is due at the time of the payment of the price of the services.

### **Value of supply**

VAT is based on the purchase value, except for the importation of some goods for which a special customs value is used for VAT calculation.

## **VAT compliance**

### **Accounting basis and tax periods**

Entities performing activities in Côte d'Ivoire that are subject to VAT must comply with the local accounting requirements (SYSCOA accounting procedures). Tax periods are periods of one month each.

### **Returns and payment of VAT**

VAT related to the transactions of one month must be declared and paid at the latest by the:

- 15<sup>th</sup> of the following month: for business enterprises subject to a real tax regime, with an annual turnover (inclusive of tax) of less than 1 billion CFA Francs (approximately USD 2 038 400);
- 20<sup>th</sup> of the following month: for service providers subject to a real tax regime, with an annual turnover (inclusive of tax) of less than 1 billion CFA Francs; and
- 10<sup>th</sup> of the following month: for manufacturing, mining and oil enterprises, with an annual turnover (inclusive of tax) of less than 1 billion CFA Francs, or other enterprises subject to a real tax regime.

### **Interest and penalties**

Late payment of VAT will result in interest at a rate of 10% that is increased by 1% for each additional month that the VAT is due.

Late-payment interest is charged for incomplete declarations, which implies a loss for the government. In

these situations late-payment interest is due on top of the increased taxation fines (pénalité de majoration), which are 30%, 60% or 150 % of the amount of VAT due (droits eludes) according to the seriousness of the non-compliance.

However, if a VAT return is not submitted or is submitted after the due date (in circumstances where no tax is due), the fine is an amount of 20 000 CFA Francs plus an additional amount of 10 000 CFA Francs for each month that the return is due.

### **Refunds**

Tax credits are refundable, subject to certain conditions.

### **Objections and appeals**

Claims for VAT, like claims for all other taxes, must be submitted to the head of the Tax Administration or his representative.

### **Time limits**

There is no special time limit for VAT claims. The general time limit for tax claims is 31 December of the second year following the tax collection procedure.

## **VAT records**

### **Tax invoices**

The content of invoices is prescribed in the General Tax Code, and includes:

- The purchase price exclusive of VAT;
- The rate of VAT; and
- The amount of the VAT due.

For input VAT deduction purposes, standardised invoices with a special sticker must be issued. Electronic invoices are not allowed by the tax authorities. A paper copy invoice must be issued. A supplier must issue its invoices itself as an agent may not issue the invoices. Invoices should be issued in French, which is the official language. Invoices may be issued in

foreign currencies for non-resident customers. However, it is useful to issue invoices in the equivalent local currency (CFA francs).

### **Credit notes and debit notes**

A credit note or debit note is usually issued when a change in the consideration for a taxable supply occurs due to the cancellation of a supply of goods and services, an alteration or variation in the nature of the supply, or a change in the previously accepted consideration for the supply. The issuing of a credit note or a debit note will form the basis for the requisite adjustment to the relevant VAT return.

### **Record-keeping**

Records must remain at the tax authorities' disposal and must be kept for three years. No special requirements exist as to the form in which the records must be kept, but paper records must be provided to the tax authorities when required.

## **Specific VAT rules**

### **Bad debts**

VAT paid on bad debts is not directly deductible from input VAT. However, as provisions and losses are accounted for inclusive of VAT, the deduction of provisions and losses in the profit and loss accounts will result in a deduction of VAT paid on bad debts.

### **Land and buildings**

Sale and rental of houses are generally not subject to VAT.

### **Leasing**

Leasing operations are subject to VAT.

### **Promotional gifts**

The VAT incurred on the acquisition or production of promotional gifts may be recovered as input VAT under specific conditions.



### **Second-hand goods**

Second-hand goods are subject to VAT, except for sales made by individuals. Input tax on second-hand goods is recoverable. Exports of second-hand goods are not subject to VAT.

### **Tourism industry**

VAT applies to the tourism industry, except for transportation activities, which are exempted.

### **Transfer of a business**

VAT applies to the transfer of a business.

### **Warranty repairs**

According to the scope of VAT, only goods sold or services rendered for a valuable consideration are subject to VAT. Where warranty repairs are not invoiced for, VAT is not due. Services rendered to foreign companies are subject to VAT.

### **Donations made for the benefit of charitable associations**

An exemption applies to donations made to certain non-profit-making organisations, handicapped persons etc., and donations made as grants to pupils and students. The import or local acquisition of materials and goods intended as donations to the persons above is VAT-exempt.

Enterprises set up in or relocated to Central, Northern and Western areas (CNO areas)

Enterprises set up, relocated or re-opened in CNO areas before 31 December 2012 benefit temporarily from VAT exemptions:

- On interest on loans between enterprises (for two years, from 2010 to 2012 included); and
- On the acquisition of equipment goods and the first set of spare parts.

Enterprises facing losses and damages during the post-election crisis

Enterprises that faced losses and damages during the post-election crisis are exempted from VAT on:

- The acquisition of goods made directly or by leasing up to 31 December 2012 for replacing buildings and equipment that was stolen or destroyed during the above-mentioned crisis; and
- Donations made for the benefit of disaster victim populations from 1 April to 31 December 2011.

### **Other indirect taxes**

#### **Import duty**

Import duties vary from 0% to 20% according to the classification of the imported goods in the customs nomenclature which is common to the UEMOA zone (an integrated economic zone that includes Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo).

#### **Excise duty**

Excise duty is a consumption tax that is due on oil products sold in or imported into Côte d'Ivoire, except for products already taxed and oil products intended for industrial activities or purchased by foreign embassies in Côte d'Ivoire.

#### **Transfer duty**

Transfer duties are due in the case of registration of several transactions such as:

- Real estate renting – 2.5% or 1,5% during the leasing;
- Transfer of lease – 10%;
- Sale of real estate – 10% or 7.5% (for direct acquisitions); 5% or 1% (in case of sale by leasing); and
- Sale of business – 10%.

#### **Stamp duty**

Stamp duty is due on several documents and deeds subject to registration formalities and also acknowledgment of payment in cash bills of exchange.

### **Tax on beverages**

This tax is due on alcoholic and non-alcoholic beverages sold in Côte d'Ivoire. Local non-alcoholic beverages are exempted. The tax base is the product customs value. The rate depends on the type of beverage, namely:

- Wine – 25%;
- Champagne – 25%;
- Beer – 13%;
- Spirit alcoholic beverages with less than 35% alcohol – 35%; and
- Spirit alcoholic beverages with more than 35% alcohol – 45%.

### **Taxes on tobacco**

There are two taxes that are payable on tobacco products, namely a general tax and a special tax. The rate of the general tax varies from 23% to 35% according to the nature of the product. The rate of the special tax varies from 2,5% to 10%, according to the nature of the product. The special tax is designed to support sports development.

### **Special tax for equipment**

This tax is payable on turnover at the rate of 0.08%, and is collected in the same manner as VAT. The tax is not invoiced to customers, but directly paid by the taxpayers on the basis of their turnover.

# Equatorial Guinea



## Introduction

VAT was introduced in Equatorial Guinea on 28 October 2004 by the Tax Code in accordance with CEMAC regulations (Directive No. 1/99CEMAC-028-CM-03 dated 17 December 1999, which harmonises the legislation of the State related to VAT and excise duties). It is locally referred to as 'Impuesto sobre el Valor Añadido (IVA)'.

## Rates and scope

The standard VAT rates are 15%, 6% and 0%. The rate of 0% is applicable to certain medical products and equipment. The rate of 6% is applicable to a list of basic consumables and books.

All operations performed in Equatorial Guinea are subject to VAT, unless they are included in the list of exemptions in the Tax Code.

In practice, tax authorities do not apply VAT in the oil and gas sector as defined by the Tax Code. There is no written confirmation of this practical position.

VAT is generally chargeable on:

- Goods sold or assigned for valuable consideration;
- Services provided;
- Self-consumed goods and services;
- Imports; and
- Other operations carried on by individuals or legal entities in their sphere of business, professional, and individual activities, including all kinds of extraction activities.



## VAT registration

### Compulsory registration

Individuals and legal entities engaged in economic activity, regardless of the nature or outputs, which are classified as taxpayers (or their representatives) pursuant to the Tax Code, must register with the Tax Administration and obtain a tax identification number (in Spanish: 'Número de Identificación Fiscal').

A branch of a company registered in terms of Equatorial Guinea legislation must also be registered with the Tax Administration.

### Non-residents

Non-residents carrying on activities (sales operations or services) in Equatorial Guinea are liable for VAT. A non-resident taxpayer must appoint a solvent and accredited tax representative residing in Equatorial Guinea, who will be jointly liable for the payment of the VAT. If no tax representative is appointed, the client of the provider concerned must pay the VAT and its corresponding penalties.

## Output tax

### Calculation of output tax

VAT is calculated on:

- Goods – all amounts or securities and all benefits, goods and services received or pending receipt in counterpart of the delivery; and
- Services – all amounts and benefits received, and if applicable, the value of goods that are consumed in the execution of said services.

Suppliers' invoices must clearly state the amount of VAT separate from prices in order to allow the customer to deduct input VAT.

### Exempt supplies

The Tax Code provides for an exhaustive list of goods exempted from VAT. The following are exempt from VAT:

- Raw agricultural goods;
- The following operations, provided they are subject to some specific taxes:

## Contact details – PwC, Equatorial Guinea

Physical address	Postal address	Telephone numbers
Villa Carmina 67 Calle Acacio Mane	Apdo 431 MALABO	Tel: (+240) 333 09 14 34 Mobile: (+240) 222 27 38 41 Fax: (+240) 333 09 09 10
PwC contact persons	Designation	Contact details
Sébastien Lechene	Director In Charge of the Office	sebastien.lechene@ga.pwc.com
Raphaël Beilvert	Manager	r.beilvert@ga.pwc.com

- sale of products resulting from soil and subsoil extraction activities
- operations transferring real estate between individuals that do not qualify as real estate developers and that are subject to Asset Transfer Tax
- interest generated by foreign loans
- interest generated by deposits of non-professional clients in credit or financial establishments
- travellers with small imports when the value of the goods does not exceed (in CFA Franc BEAC / XAF) XAF500 000 (approximately USD1 000)
- banking, insurance, and reinsurance operations which are subject to a specific tax
- operations transferring real estate, and real estate rights and mutations of goodwill that are subject to Asset Transfer Tax or other equivalent taxes;
- Medical services;
- Staple commodities listed in the Tax Code;
- Services provided in the field of school or university teaching by public and private establishments or similar agencies;
- Importation and sale of school or university books;
- Sale of newspapers and periodicals;
- Rental of unfurnished houses;
- Social, educational, sports, cultural, philanthropic or religious services or operations;
- Amounts deposited by the Public Treasury into the Central Bank in its capacity as currency-issuing bank, as well as proceeds of the operations of the said currency-issuing bank; and
- Operations relating to the international traffic of:
  - ships or vessels used in industrial or commercial activities on the high seas
  - salvage or rescue ships
  - aircraft and ships used for international transit operations and related services, in accordance with the provisions of the CEMAC Customs Code.

### Zero-rated supplies

The zero rate applies to certain medical products, equipment, and exports where the returns have been certified by the Customs Services.

### Input tax

#### Input tax allowed

In general, the right of deduction of VAT is allowed on the following:

- VAT paid on invoices related to transactions that have a deduction right (the taxpayer has a taxpayer number, etc.);

- VAT stated on purchase invoices issued to taxpayers by sellers whenever these are legally authorised to include the tax in the said invoices;
- VAT paid at the time of the import; and
- VAT levied on invoices for equipment goods.

### **Input tax expressly denied**

Restrictions apply to the recovery of input VAT incurred on the purchase of private vehicles and their spare parts and repair expenses. Input tax is also denied when:

- The invoice does not show the name of the client concerned;
- It is not claimed in the correct VAT period (two years after the year of enforceability of the VAT); or
- The VAT relates to exempt or zero-rated supplies.

### **Partial exemption**

Taxpayers who are partially or fully VAT exempted must apply a pro rata factor to the amount of the deductible VAT. The pro rata factor will be set on an annual basis, where the ratio is:

- The amount of income for transactions subject to VAT, as the numerator; and
- The total amount of income of any kind obtained by the taxpayer, as the denominator.

### **Adjustments**

When a component of the fixed assets for which input tax has been deducted is no longer part of the fixed assets of the company or its removal from the assets is not supported, the company must, before the end of the fourth year of acquisition, pay VAT equal to the tax fraction previously deducted. The fraction is equal to the difference between the total deductions made, and one-fifth per year or per fraction of a year since it was acquired.

In the case of an assignment, if the goods constitute a component of the

purchaser's fixed assets, the latter can deduct the VAT in the amount reverted by the seller as regularisation as long as he is also a VAT taxpayer. The seller, as a condition for making the deduction, must issue a statement to the purchaser reflecting the amount of the deductible VAT.

## **International trade**

### **Imports**

VAT payable on imports is calculated as the customs value including all rights and duties paid upon entry except for VAT. According to the Tax Code, import is understood as any entry of goods within the customs territory of Equatorial Guinea.

VAT liability on imports arises when the goods and merchandise are introduced into the national territory as defined in the CEMAC Customs Code. The VAT payable is calculated on a VAT base equal to the customs value including all rights and duties paid upon entry except for VAT.

### **Exports**

The zero rate related to exports is applied only if the return has been certified by the Customs Services. No refunds are allowed to foreigners.

## **Place, time, and value of supply**

### **Place of supply**

The Tax Code is based on the principle of territoriality according to which all operations performed in Equatorial Guinea are subject to VAT.

A sales operation is treated as performed in Equatorial Guinea when it has been carried out under the conditions for the delivery of goods, or in the case of other operations when the service provided, right assigned, or object leased is used or put into operation in Equatorial Guinea.

### **Time of supply**

The enforceability of VAT is determined as follows:

- Sales and goods delivered, including self-consumed goods – at the time of delivery of the goods, merchandise, self-consumed goods, and merchandise;
- Services – at the time of recovery of the payment for services;
- Import – at the time of registry of the declaration of consumption of the said goods; and
- Real estate operations – on the date of transfer.

### **Value of supply**

The value-of-supply rules are as follows:

- Delivery of goods – all amounts or securities and all benefits, goods or services received or pending receipt in counterpart of the delivery;
- Imports – customs value including all rights and duties paid upon entry except for VAT;
- Services – all amounts and benefits received, and if applicable, the value of goods that are consumable in the execution of the services;
- Exchanges – value of the products received in exchange for the goods provided plus the amount of compensation received;
- Real estate projects – amount of the operation, memoranda, or invoices; and
- Self-consumed goods – purchase price without VAT of the goods purchased or used but not transformed and the cost of goods extracted, produced or transformed.

## VAT compliance

### Returns and payment of VAT

All taxpayers must file monthly returns (before the 15th of each month) of their transactions made during the preceding month, and make immediate payments to the Equatorial Guinea Revenue Authorities. Any taxpayer who has not performed any transaction during the said period must file a zero return.

### Interest and penalties

The interest and penalty range depends on whether the administrative correction procedure is contradictory or unilateral. Both contradictory and unilateral correction procedures can be followed by a tax agent when noting any shortfall, inaccuracy, omission, or concealment in the elements used as the basis of the tax calculation:

- Contradictory procedure – in addition to the 10% interest for being in arrears, the fine will be 50% of the fees involved, which may be increased up to 100% if the taxpayer fails to show good faith; and
- Unilateral procedure – in addition to the 10% interest, the fine will be 100% of the fees involved.

Interest will be levied even if the non-compliance does not result in a loss for the State or in a benefit for the taxpayer.

### Refunds

No refund is allowed according to the Tax Code. When the amount of VAT deductible for one month exceeds that of VAT payable, the surplus constitutes a tax credit attributable to the VAT payable for the following period.

### Objections

The taxpayer can appeal a decision to the same authority that took the decision or a higher authority. The case could also be submitted to tax panels ('Jurados Tributarios'). Tax panels are the governing bodies that must resolve controversies on factual matters that may be brought between the Tax Administration and taxpayers.

### VAT records

#### Invoices

Every taxpayer is required to issue and deliver invoices for goods delivered or services provided to its clients, as well as down payments received for these operations. Each invoice must reflect the following:

- Serialised invoice number and chronological date;
- Name, address, and taxpayer number of the company;
- Prices, with the respective VAT charges listed separately; and
- Name, address, and tax number of taxpayer.

#### Credit notes and debit notes

Credit notes and debit notes are not regulated under the tax legislation, but result from accounting practice. They are tolerated by the Tax Administration, and must meet the same conditions that apply for an invoice.

#### Record-keeping

Taxpayers are required to keep the following accounting books:

- A registry book of all invoices issued, which should be separated into those belonging to operations that are subject to VAT, exempt, not subject to VAT, and self-consumption;

- A registry book of invoices received;
- A registry book of investment goods; and
- A book with a current account of clients and suppliers.

Taxpayers must keep all accounting items showing income and expenses for five years following the respective operations. Accounting books must allow a precise determination of the following for each settlement period:

- Total amount of VAT that the taxpayer has passed on to its clients; and
- Total amount of VAT that suppliers have passed on to the taxpayer during the same settlement period, and total amount of VAT on imported goods.

## Other indirect taxes

### Special Duty Tax

A standard Special Duty Tax of 30% applies to an exhaustive list of products (mainly luxury goods) contained in the Tax Code. However, both the Tax Code and CEMAC provisions apply special rates to products such as:

- Sparkling wine or champagne – 20% (Special Duties); 15% (CEMAC duties);
- Cigars, cigarettes, and tobacco – 50% (Special Duties); 25% (CEMAC duties); and
- Photographic devices with automatic flashes – 25% (Special Duties).

### Import duty

An import duty (at a rate of 5% to 30%) is applied to the price paid.



# Gabon



## Introduction

VAT was introduced in Gabon by the Financial Law for the fiscal year 1995 (Law No. 1/95 dated 24 February 1995). The Gabonese Tax Code in force since May 2009 (Law No. 27/2008 dated 22 January 2009) amended various provisions of the previous law.

The VAT authority in Gabon is the Tax Authorities ('Direction Générale des Impôts').

## Rates and scope

There are three VAT rates applying in the Gabonese Republic, namely:

- Standard rate of 18%, applying to all transactions unless otherwise provided for;
- Reduced rate of 10%, which applies to production, manufacturing, and selling of the following products:
  - mineral water produced in Gabon
  - imported meat and chicken
  - imported salad oil
  - sugar
  - imported peanuts
  - washing powder
  - steel for reinforcing concrete
  - office computers and laptops
  - fishing equipment
  - outboard motors
  - replacement parts of cars
  - car axles
  - building tiles
  - nails
- rain coats
- tomato purée
- canned fruits and vegetables
- water and power consumed by way of social and standard meters;
- Reduced rate of 5%, applying to sales and services related to cement; and
- Zero rate of 0%, applying to exports and international transport. The 0% rate applies only to exports for which declarations have been issued by the Customs Authorities.

VAT is a broadly based tax on consumer expenditure. VAT is largely removed from business costs, and thereby confined to consumer expenditure by providing taxable persons with a credit mechanism – the deduction.

All transactions relating to an economic activity that constitutes an import, a delivery of goods or a provision of services carried out in the Gabonese territory by a

person subject to tax (a chargeable person) excluding the transactions expressly exempted from VAT under the Gabonese Tax Code are taxable operations.

## VAT registration

### Compulsory registration

Registration is compulsory insofar as operations are carried out in Gabon. Provision is made for two categories of taxable persons who are VAT chargeable:

- Any person carrying on economic activities in Gabon with an annual revenue of at least (in Central African CFA Franc) XAF 60 million (approximately USD122 000); and
- Forestry exploiters with a turnover of at least XAF 500 million.

### Voluntary registration

Registration is optional for the following persons:

- Taxpayers who were VAT chargeable under the former



## Contact details – PwC, Gabon

Physical address	Postal address	Telephone numbers
Libreville Office Rue Alfred Marche	BP 2164	00.241.76.26.18 00.241.74.13.83
Port-Gentil Office Rue du Colonel Parant	BP 584	00. 241.55.33.24 00.241.55.18.23

PwC contact persons	Designation	Contact details
Mr Christophe Relongoue	Partner	christophe.relongoue@ga.pwc.com
Mr Laurent Pommera	Partner	laurent.pommera@ga.pwc.com
Mrs Inès Vaz	Manager	ines.vaz@ga.pwc.com

provisions of the Tax Code, and whose turnover out of taxes is less than XAF 60 million, and new taxpayers capable of a turnover equal to XAF 60 million for the first year of activity; and

- Taxpayers subject to the simplified taxation regime ('régime d'imposition simplifié') that have chosen to declare their real profit (determined by deducting from their turnover their effective operating costs).

### Non-residents

Companies that are not established in Gabon are not entitled to deduct VAT.

Foreign companies with no permanent establishment in Gabon, who permanently or occasionally realise operations falling within the VAT scope, are liable for VAT whatever the amount of the operations. As a consequence, for foreign VAT-able persons, the VAT must be paid by the client on behalf of the person who does not have a permanent establishment in Gabon.

### Application for registration

Until the VAT Administration has granted a VAT number (NIF) to the company, the company is not allowed to deduct VAT.

In order to be granted an NIF, the taxpayer must request it at the Tax Administration of its jurisdiction. This request is made at the beginning of the activity if the taxpayer considers that its activity will reach the liability threshold mentioned above, or within a month following the date he satisfies the liability conditions, or if these conditions are met when the activities have already been carried out.

### Deregistration

The transfer or discontinuance of business totally or partially must be declared to the Tax Authorities within 30 days:

- In case of the transfer or sale of a business, following the day the sale or transfer would have been published;

- In case of the sale or transfer of other enterprises, following the day when the transferor or buyer would have effectively started managing the operations; and
- In case of discontinuance of business, following the day of the definitive closing down.

## Output tax

### Calculation of output tax

The calculation of output tax depends on the VAT rate. Where the standard rate applies, the output tax is determined as follows:

$$18\% \times \text{price (all taxes included)} = \text{VAT}$$

The taxable amount consists of all the sums, values, or services received in compensation for the operation, including subsidies, all the expenses, taxes, and deductions of any nature other than the VAT itself. The prices are always given inclusive of all taxes.

### Exempt supplies

Exempt operations include, but are not limited to:

- Agricultural, farming, and fishing goods;
- Importation of new materials and tools intended exclusively for the development of vacant properties in urban zones, and for the construction by public and private promoters of socioeconomic residences duly authorised;
- Sale of quarry products;
- Operations realised by insurance companies in the context of their activity linked to insurance and reinsurance contracts, as well as services rendered by insurance middlemen;
- Transfer of intangible movable goods and immovable goods that support registration duties;
- Renting of undeveloped land and unfurnished premises;
- Printing, import and sale of newspapers and reviews except for advertisement profits;
- Operations relating to fiscal stamps;
- Sums paid by the State to the Central Bank;
- Welfare, educative, competitive, cultural, religious or philanthropic supplies made by non-profit institutions to their members unless operating in a competitive sector;
- First-necessity products such as bread, sugar, rice, eggs, academic books and milk;
- Imports of products that are exempt under the Customs Code;
- Second-hand products;
- Import of products by mining companies for the performance of mining operations;
- Agricultural and breeding devices and tourism equipment (except forestry and fish sectors);

- Building works, materials and related provision of services, equipment and furnishings of tourism companies presenting a new investment for a minimum amount of XAF 300 000 000 (excluding tax); and
- Loans on real properties for an amount less than XAF 50 000 000 granted to individuals for the acquisition and construction of a residence in Gabon.

### Zero-rated supplies

The zero-rated supplies include:

- International exports and transport; and
- Exports subject to a customs duty declaration.

### Input tax

#### Input tax allowed

Input VAT incurred to perform taxable operations is deductible from output VAT collected. The right to a deduction arises when the tax point occurs. To meet the formal deduction conditions, VAT has to be mentioned on one of the following documents:

- Invoices delivered by the suppliers legally authorised to mention it;
- Documents of importation; and
- Declarations completed by the debtor in the event of self-supply.

#### Specific input tax deduction exclusion

- VAT incurred is denied as an input tax deduction in the following instances:
- Entertainment, accommodation, and catering, except where a company's taxable activity consists of these operations;
- Import of goods that are re-exported without any modification;
- Goods given for free or at a price less than the value of the goods;
- Petroleum products, except for those used by a fixed device as

combustible or as a manufacturing element in industrial companies; and

- Vehicles used (mainly or partially) for the transport of passengers and constituting fixed assets, except:
  - vehicles with more than 10 seats exclusively used for the transport of personnel (except four-wheel-drive cars)
  - vehicles used for the transport of passengers and products
  - pick-up or utilitarian vehicles bought after 8 July 1997 exclusively used for the company's activities
  - fixed assets of public transport companies
  - fixed assets of car rental companies.

#### Limited deduction right

Taxable persons who do not carry out only taxable operations (allowing them full right of deduction) may deduct the VAT incurred on the acquisition of goods and services by application of a deduction prorata. This fraction is the relationship between:

- As numerator – turnover related to operations subject to VAT; and
- As denominator – total turnover performed by the taxable person.

### Adjustments

As far as an element of the fixed assets is concerned, the input VAT deducted has to be regularised when this element is no longer part of the fixed asset before the third year following the year when this element was purchased.

### International trade

#### Imports

The taxable basis of importation is determined by adding the amount of the customs duties and the excise duties to the value of the goods as defined for customs purposes.

However, the fact that imports of goods are re-forwarded as such does not result in a right to deduction.

VAT on the importation is paid to the Customs Authorities. VAT on imports must be declared and paid before the removal of the goods.

Imports of new materials and tools for the construction of social residences by authorised property developers are VAT exempt.

Foreign suppliers of services who have no permanent establishment in Gabon and who perform services in Gabon are liable to VAT. The Gabonese client will submit a VAT return and pay the VAT to the Treasury. The Gabonese company that benefits from the services may deduct such VAT from VAT collected.

### Exports

The zero rate is applicable to international exports and transport, including the supply of goods on board of vessels and aircraft. It applies only to exports that have been subjected to customs declarations. The exporters must attach the customs references of exports carried out during the month to their monthly declarations.

By way of exception, the taxable exporters may request the refund of their tax credit, limited to the VAT fictitiously calculated by application of the general rate to the amount of the exports carried out during the period.

Supplies of services are subject to Gabonese VAT when the recipient uses or enjoys the services in Gabon.

As far as refunds to foreigners are concerned, there are no specific provisions.

## Place, time and value of supply

### Place of supply

A supply of goods is subject to VAT if the delivery occurs in Gabon. A supply of services is subject to VAT if the rendered services are used or enjoyed in Gabon. Therefore, all transactions relating to an economic activity that constitutes an import, a delivery of goods, or a provision of services carried out within the Gabonese territory are subject to VAT.

### Time of supply

As far as goods are concerned, the tax point of the VAT occurs with the delivery of the goods. In the case of services, the tax point occurs either upon the paying of the price, or when the supplier has opted for a tax point at the moment of invoicing. This option is irrevocable and must be shown on invoices.

### Value of supply

The taxable basis consists of all amounts and, if necessary, the value of the goods incorporated in the execution of the service in the case of the supply of services.

## VAT compliance

### Returns and payment of VAT

By the 20th of each month any taxable person has to calculate whether he has a tax debit or a tax credit and declare his monthly taxable operations on a CA01 return (previously CA3) to be submitted to the Tax Administration. Should no operation take place during a month, a nil VAT return must nonetheless be submitted.

### Interest and penalties

The late submission of the monthly declaration is subject to 5% late-payment interest. If the late declaration does not indicate any VAT due, the penalty is XAF100 000. The late payment of the VAT mentioned in

the monthly declaration is penalised by a late-payment interest of 10% for the first month of delay, and 3% for the following months.

Any omission noted in the monthly declaration is penalised by a penalty of 1,5% per month of delay with a maximum of 50% of the evaded rights or reassessments carried out, subject to the good faith of the taxable person. This penalty can be changed to 150% and up to 200% if bad faith is established.

Any request for deduction of the tax related to an invoice not corresponding partly or entirely with a purchase of goods or a provision of services is penalised by a penalty of 200% of the evaded rights.

The fact that the non-compliance does not result in a loss to the State or in a benefit to the taxpayer will not result in a waiver of interest charged.

### Refunds

VAT refunds are only possible in specific cases provided by the VAT legislation.

### Objections and appeals

Any taxpayer who is dissatisfied with VAT imposed on him may present a written query, which is an introductory request of authority. The procedures are the same as for other taxes as laid down in the Gabonese Tax Code.

### Time limits

Omissions and errors in respect of VAT payable by the taxpayer can be repaired by the Tax Administration until the expiry of the fourth year following the year during which the tax became due.

The omitted former deductions can be claimed until the twelfth month following the month when the deduction right occurred.

## **VAT records**

### **Tax invoices**

Any invoice issued in Gabon or sent to Gabonese clients must be written in French, be issued in XAF currency, and indicate the following:

- The name and address of the supplier;
- The name and address of the beneficiary;
- The date;
- A description of the services or goods and their quantity; and
- The unitary price excluding VAT and discounts.

Any person liable for VAT must indicate his NIF number, statistic number, trade registration number and applicable rate, and the amount of VAT on the invoice. Invoices delivered to non-taxable persons can mention one single tax-inclusive amount.

### **Additional export documentation**

Exporters must attach to their monthly declaration the customs references of the exports carried out during the month.

### **Record-keeping**

The accounting books as well as the supporting documents, and the purchase invoices in particular, must be kept for a period of 10 years after the year during which the operations were noted in the entries.

## **Specific VAT rules**

### **Petroleum activities**

While petroleum activities were initially considered as falling outside the scope of VAT, petroleum activities (prospecting and production) are now governed by two specific regimes. These depend on whether the oil company is in a research and prospecting phase, or in an operation and production one. Petroleum

activities do not include the distribution of petroleum products.

### **Oil exploration companies**

Oil companies with permits who are in the exploration phase may be exempted from the payment of VAT invoiced to them by their suppliers. This exemption is granted for the whole period of prospecting and remains valid until the oil company starts producing.

Therefore, each supplier has to mention the VAT on an invoice sent to an oil-prospecting company. However, by being exempted, they will not pay the invoiced VAT, but must submit a certificate of exemption stating the following:

- The date of the Ministerial authorisation;
- Chronological number;
- Identification of the oil company and the supplier;
- Date and number of invoice; and
- Price before VAT, price including taxes, VAT amount, and total of the invoices.

In such a system, even if the oil companies do not pay any VAT, the suppliers (oil subcontractors) have to charge VAT on the oil companies' invoices, and may obtain a VAT credit, which must appear in the CA01 monthly return. Economically speaking, this mechanism generates a tax credit for suppliers working exclusively with oil prospecting companies, which cannot be reimbursed.

### **Oil production companies**

Oil production companies do not have to pay VAT on operations performed by some of their subcontractors. This exemption only concerns subcontractors who are authorised by the Tax Administration, and who appear on the UPEGA (representative union for the oil sector) list. Such subcontractors benefit from a

reimbursement right of the VAT paid upstream of an exempt operation.

This application for a VAT refund will only concern deductible VAT under common law. For instance, VAT paid on lodging expenses is not deductible (and therefore, should not be mentioned on the VAT refund application form). Otherwise, the application for the aforesaid VAT reimbursement may be rejected.

On the other hand, non-authorised subcontractors must charge VAT when invoicing production oil companies, and consequently receive a payment including VAT. They therefore have to pay the VAT to the Treasury. As for oil companies, they may claim the reimbursement of the VAT paid.

### **Bad debts**

In order to recover output VAT for unpaid transactions where the amount is irrecoverable, a correction of the invoice is necessary. A duplicate of the initial invoice should be issued that should contain the following statement:

'Invoices remained unpaid for the sum of X price excluding VAT and for the sum of corresponding VAT which cannot be the subject of a deduction.'

### **Land and buildings**

Operations relating to the renting of undeveloped land and unfurnished premises are exempt from VAT. The transfer of real goods and intangible movable property subject to registration rights is not subject to VAT. Imports of new materials and tools for the construction of social residences performed by authorised property developers are VAT exempt.

### **Leasing**

Leasing is subject to VAT at the standard rate.



### Promotional gifts

As there are no specific provisions, the deduction of input VAT should be possible as far as promotional gifts are concerned.

### Second-hand goods

VAT does not apply to second-hand goods. Therefore, these sales are exempt from the payment of VAT. However, this exemption does not apply to traders of second-hand goods.

### Tourism industry

There is a VAT exemption for equipment goods and personalised furniture specifically for the tourism industry.

### Transfer of a business

As far as an element of fixed assets is concerned, the input VAT deducted has to be regularised when this element is no longer part of the fixed asset before the third year following the year when this element was purchased.

## Other indirect taxes

### Import duty

Gabon is a member of the CEMAC (former UDEAC) region, which means that consideration must be given to the CEMAC (former UDEAC) regulations. There is a common customs regime, as well as specific customs regimes.

CEMAC (former UDEAC) common customs regulations:

- The Custom Code provides that the customs value of imported merchandise is their transactional value, i.e. the price actually paid or to be paid for this merchandise, subject to some adjustment and/or reintegration.

### Specific customs regimes:

- The temporary admission regime (normal or special) may be granted for specific equipment materials, products, machines, and tools required for the performance of some operations;
- The specific regime is granted for imports by the contractor, third parties on its behalf or subcontractors, provided that the goods are re-exported after they are used;
- The exemption regime may be granted for all materials, products, equipment, machines and tools exclusively intended and actually used up for certain operations, such as drilling equipment, and oxygen; and
- The reduced-rate regime of 5% may be granted for materials, products, equipment, machines and tools which do not fall in the above-mentioned categories and are necessary for petroleum production.

### Excise duty

The excise duties are indirect tax levies applicable to certain categories of goods, such as tobacco and liquor, at the time of their marketing or their consumption. The rates are as follows:

- Beer – 20%;
- Wine – 25%;
- Other drinks with a volumetric degree of alcohol between 12% and 32%; and
- Cigarettes, cigars and tobacco – 30%.

### Registration duties

These are proportional rights which are charged from 1% up to 6%, depending on the nature of the acts:

- The transfer of shares is normally subject to the payment of a registration right of 3% of the price, as a burden to the assignee;
- The sale of a building is subject to a registration right of 6% (plus 2% for buildings located in Libreville or Port-Gentil); and
- The transfer of a leasing right is subject to a registration right of 4%.

### Stamp duty

The stamp contribution is levied on all paperwork relating to civil and judicial actions, and to documents that could be produced in court as authority.

# Ghana



## Introduction

In 2013, the parliament of Ghana passed a new VAT Act (Act 870). The VAT Act became effective from 8 January 2014 as per a circular published by the Ghana Revenue Authority in one of the local daily newspapers. Regulation 1998 (L.I 1646) is still in force, together with the new VAT Act.

The National Health Insurance Levy (NHIL) was also introduced on 4 November 2004 as an additional consumption tax similar to VAT to specifically secure the provision of basic healthcare services to persons resident in the country through mutual and private health insurance schemes. NHIL is administered alongside VAT by the Domestic Tax Revenue Division of the Ghana Revenue Authority (DTRD of GRA).

## Rates and scope

The VAT Act provides for a standard rate of 15% for VAT, and the rate of 2,5% for NHIL applies to all supplies of goods and services not qualifying for an exemption or zero-rating. The VAT Flat Rate Scheme has been abolished under the new VAT Act.

VAT and NHIL ("VAT") are charged on the supply of all goods and services by a taxable person, except when the goods and services are specifically exempt. There are no territorial jurisdictions in Ghana which do not belong to the VAT territory.



## VAT registration

### Compulsory registration

A person has to register for VAT if that person makes a taxable supply of goods or services, and has a business turnover that exceeds:

- GHS120 000 over a twelve-month period; or
- GHS30 000 over a three-month period, whichever is achieved earlier.

### Voluntary registration

Any business may apply voluntarily to be registered by the Commissioner-General.

### Group and branch registration

Two or more corporate bodies may be registered as members of a group if each member is a registered corporate body in Ghana and has an established place of business in Ghana, where one of them controls the others in the group, or one company controls all the members of the group.

A taxable person in his application for separate branch registration must state the branches and divisions, including self-accounting branches, where the business has more than two branches or divisions.

### Non-residents

A non-resident business needs a physical representative to register. If requested, and where permissible by internal independence requirements, PwC will act as representative in the processing of VAT returns and advise on issues relating to VAT compliance and the submission of cheques for agreed VAT liability to the DTRD of GRA.

Unregistered, non-resident persons providing telecommunication or electronic commerce services for use or enjoyment in Ghana other than through a VAT-registered agent, and making taxable supplies exceeding the registration thresholds, are required to register for VAT in Ghana.

## Contact details – PwC, Ghana

Physical address	Postal address	Telephone numbers	Internet details
No. 12, Una Home, 3 <sup>rd</sup> Floor, Airport City, Accra, Ghana	PMB CT 42, Cantonments, Accra, Ghana	Tel: +233 302 761500 Fax: 233 302 761544	www.pwc.com/gh pwc.ghana@gh.pwc.com

PwC contact persons	Contact details
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Lydia Pwadura	lydia.pwadura@gh.pwc.com
Abeku Gyan-Quansah	abeku.gyan-quansah@gh.pwc.com

### Application for registration

Anyone who qualifies to register has to apply to the Commissioner-General of the GRA for registration as a taxable person. The registration form requires the following information:

- Name of business or proprietor and trading name (if different);
- Postal and physical address;
- Telephone number;
- Date of commencement of trading;
- Tax identification number;
- Type of business and description of business activity;
- Value of total sales or turnover for the last 12 months, value of taxable sales, and turnover (including zero-rated) during last 12 months; and
- A declaration by the person completing the registration form certifying that the information provided is true and accurate to the best of his knowledge.

Failure to register attracts a penalty of not more than two times the amount of tax on taxable supplies payable from the time the person is required to apply for registration until the person files an application with the Commissioner General (C-G).

The VAT identification number format is: 999 V 9999999.

### Deregistration

Businesses which no longer qualify can be deregistered, and have to reregister again when the qualifying threshold is subsequently met.

### Output tax

#### Calculation of output tax

Output VAT is calculated by applying the rate of the tax to the VAT-exclusive amount. Advertised prices include VAT and NHIL taxes. Therefore, when prices are charged exclusive of such taxes, VAT and NHIL at 17.5% (in total) must be added.

### Exempt supplies

The exempt supplies for which no credit is allowed include (but are not limited to):

- Certain medical and locally produced pharmaceutical products;
- Basic food items produced in the country, usually in their raw states;
- Books and domestic newspapers;
- Crude oil and hydrocarbon products;
- Building and construction (excluding sale by an estate developer), including the right to occupy land or buildings (construction should be civil engineering works of a public nature);
- Financial services, excluding financial services rendered for a fee, commission or similar charge;

- Supply of postage stamps;
- Goods for the disabled, i.e. articles designed exclusively for use by the disabled;
- Machinery, apparatus, appliances, parts used in agriculture, industry, mining (as specified in the mining list), railways, and tramways, upstream petroleum operations as specified in the petroleum list, and dredging;
- Domestic transport by bus and similar vehicles, train, boat, and air, but excluding haulage and vehicle rental;
- Education registered or licensed by Minister for Education;
- Electricity up to lifeline units;
- Water, excluding bottled and distilled water;
- Fishing equipment;
- Locally produced textbooks and exercise books;
- Locally manufactured agricultural machinery, and other agricultural implements or tools; and
- Agricultural inputs.

#### **Special relief applies to:**

- Supplies to the President of the Republic of Ghana;
- Supplies for the official use of any Commonwealth or foreign embassy, mission or consulate (relief applies only to VAT on imported goods) – reciprocal application;
- Supplies for the use of a permanent member of the diplomatic service of any commonwealth or foreign country, exempted by Parliament from the payment of customs duties (relief applies only to VAT on imported goods) – reciprocal application; and

- Supplies for the use of an international agency or technical assistance scheme where the terms of the agreement made with the government include exemption from domestic indirect taxes.

#### **Zero-rated supplies**

Zero-rated supplies include (but are not limited to) the following:

- Exports of taxable goods;
- Supply to a free zone enterprise;
- Goods shipped as stores on vessels and aircraft leaving the territory of Ghana; and
- Services consumed outside Ghana.

#### **Input tax**

##### **Input tax allowed**

A taxable person may claim input tax on goods and services purchased in Ghana, or goods imported by him and used wholly, exclusively, and necessarily for business purposes, provided (inter alia) the supply is a taxable supply.

Reverse VAT on imported services is not claimable.

##### **Non-deductible input tax**

Input tax deduction is not allowed on the following:

- Imported services which are not used to make taxable supplies;
- Purchases or imports in respect of exempt supplies;
- On the expiration of six months from the date the tax accrued;
- Import of motor vehicles or vehicle parts, unless the taxable person is in the business of dealing in or hiring vehicles or selling vehicle parts;

- Entertainment, including restaurants, meals, and hotel expenses, unless the taxable person conducts a business of that nature; and
- Fees or subscriptions in respect of membership of a club, association, or society of a sporting, social, or recreational nature.

#### **Partial exemption**

Input tax is restricted to the part of taxable supplies or imported goods that is used for business purposes. If a taxable person makes both taxable and exempt supplies, a portion of VAT incurred may be recovered on the taxable purchases and imports of goods that can be directly attributed only to the taxable supplies made.

#### **Pre-registration and post-deregistration VAT**

A taxable person may recover the VAT on stock and capital goods purchased or imported prior to registration, provided the goods are still in the ownership and possession of the taxable person, and the purchase or importation occurred not more than four months or six months prior to registration in the case of stock and capital goods respectively.

#### **International trade**

##### **Imports**

Other than exempt goods and services, the importation of taxable goods is subject to VAT, and the importer of the goods is required to account for the tax.

The importation of taxable services which are not used in making taxable supplies is subject to VAT. The receiver of the service must account for VAT by means of a reverse-charge mechanism. The reverse charge applies to services that are supplied by a non-resident business, and received by a resident taxable person for consumption in Ghana.

## Exports

Exports of taxable goods are zero-rated supplies that attract VAT and NHIL at the rate of 0%.

The export of services is zero-rated (a VAT rate of 0%) if all requirements are met.

Refunds of VAT charged on goods purchased in Ghana by a person not resident in Ghana for consumption outside Ghana may be authorised by the Commissioner-General of the GRA, subject to such conditions as he may direct in writing.

## Place, time and value of supply

### Place of supply

The place of supply of goods is typically the place from which the goods are delivered or made available by the supplier or if delivery involves transportation, the place where the goods are when transportation commences. The place of supply of a service is the supplier's place of business or the place from which the service is supplied or rendered.

### Time of supply

The time-of-supply rules are as follows:

- Goods or services applied for own use – the date the goods or services are first applied to own use; and
- Goods or services supplied by way of a gift – date on which ownership in the goods passes or the performance of the services is completed.
- In any other case – the earliest of the date on which:
- The goods are removed from the taxable person's premises, or from other premises where the goods are under the taxable person's control;
- The goods are made available to the person to whom they are supplied;

- The services are supplied or rendered;
- Payment is received; or
- The tax invoice or sales receipt is issued.

### Value of supply

The value-of-supply rules are as follows:

- Supply for monetary consideration – the amount of the consideration plus all duties and taxes but excluding VAT; and
- Supply that is not for monetary consideration or partly for monetary consideration – the open-market value of a similar supply excluding VAT.

## VAT compliance

### Tax period

Tax period means one calendar month.

### Returns and payment of VAT

VAT returns must be submitted monthly and must be filed no later than the last working day of the month immediately following the month to which the return relates. Payments must be made by the due date for filing. A taxable person who received imported services must complete and submit specially designed forms for the services by means of a reverse charge within 21 days after the month in which the services are imported.

The amount of VAT paid by the registered person can be claimed as input tax deduction. However, reverse VAT and other items cannot be claimed as deductible input tax.

Electronic filing is not available.

### Interest and penalties

The following pecuniary penalties/interest are charged:

- Late submission of a return – penalty of GHS500;

- For each day the return is not submitted – penalty of GHS10;
- Late payment – penalty of Bank of Ghana discount rate plus a quarter of that rate on the tax due;
- Failure to register – double the tax payable had the taxpayer registered when required; and
- Failure to issue tax invoice – GHS1 200.

The VAT Act does not provide the option for the waiver of interest for non-compliance.

### Refunds

Credit is given to offset the following month's liability. A request for a refund may be made where the excess credit is outstanding for a continuous period of three months or more under certain conditions.

### Objections and appeals

Disagreement with a decision of the GRA must be lodged with the Commissioner-General of the GRA within 30 days after notice of the decision has been served on the taxpayer or upon his becoming aware of the decision.

A person dissatisfied with the decision of the Commissioner-General may lodge an appeal with any court with jurisdiction to hear and determine tax disputes within 30 days after being notified of the decision of the Commissioner-General.

### Time limits

The time limit for payment of tax due is the last working day of the month immediately following the month to which the return relates. The maximum period for claiming input tax is six months from the date the deduction accrued. The claim is forfeited on the expiration of a period of six months.



## **VAT records**

### **Tax invoices**

Invoices must be pre-printed as authorised by the Commissioner-General of the GRA. Invoices that are not pre-printed must be approved by the Commissioner-General of the GRA before use. An invoice for VAT purposes should contain the following information:

- Invoice number;
- The supplying taxable person's name, VAT registration number, and address;
- The customer's name, or business name and address, and VAT registration number, if a taxable person;
- Description of goods or services supplied, including the quantity of the goods or the extent of the services supplied;
- Date of supply, invoice or payment;
- Invoice amount (excluding VAT), VAT amount and VAT rate;
- The rate of any discount;
- Total of VAT values and total inclusive of VAT; and
- Terms of payment.

Electronic invoices are accepted in the case of retail clients with a high turnover, but must be approved by the Commissioner-General of the GRA. Except with the approval of the Bank of Ghana, invoicing in foreign currency is not allowed by regulatory requirements. This is, however, not enforced in practice.

### **Credit notes and debit notes**

A credit note is issued to a recipient of a supply where the amount on a tax invoice exceeds the amount that should have been charged, while a debit note is issued to a recipient of a supply where the amount on a tax invoice is less than the amount that should have been charged due to the fact that:

- The supply is cancelled;

- The nature of the supply has been fundamentally varied or altered;
- The previously agreed consideration for the supply has been altered by agreement with the recipient of the supply, whether due to an offer of a discount or for any other reason; or
- The goods or services or part thereof have been returned to the supplier.

### **Additional export documentation**

Detailed documentation is required in substantiating to the Commissioner-General that the taxpayer should apply 0%.

### **Record-keeping**

Records must be kept for up to six years, unless the Commissioner-General's approval is obtained to keep the records for a shorter period. The records may be kept outside the country if the business can produce the records within a reasonable time for inspection by revenue officers. Records may be kept solely in electronic form.

## **Specific VAT rules**

### **Bad debts**

Input VAT may be recovered by a taxable person on bad debts where the purchaser becomes insolvent and fails to pay all or part of the taxable amount of the sale plus the VAT imposed, and the debt becomes a bad debt and is certified as such by the Commissioner-General of the GRA. However, a debt previously written off as bad for which credit has been given that is later recovered is subject to VAT on the amount recovered.

### **Land and buildings**

Land and buildings, excluding sale by an estate developer, are exempt from VAT.

### **Leasing**

The taxable value of a taxable supply of goods under a finance lease is the open-market value of the goods at the time of the supply. This excludes any interest or finance charges.

### **Promotional gifts**

Promotional goods attract VAT. Input tax may be deducted when promotional goods are acquired.

### **Second-hand goods**

Taxable persons who deal in locally procured second-hand goods may apply to the Commissioner-General of the GRA for approval to charge VAT on the difference between the buying price and the selling price of the goods, subject to certain conditions.

### **Transfer of a business**

The transfer of a business as a going concern from one taxable person to another is zero-rated if certain conditions are met.

### **Warranty repairs**

No special rules apply in this regard. However, if the warranty is deemed to be part of a taxable service, VAT will be charged.

## **Other indirect taxes**

### **Import duty**

Import duty ranges from 0% to 20%, depending on the degree of luxury of the goods as specified under the Harmonised System and Customs Tariff Schedules.

### Excise duty

Excise duty is limited in scope and is charged on some locally manufactured products, especially on tobacco and on alcoholic and non-alcoholic beverages. The import of tobacco and beverages attracts import excise duty. A recent amendment to the customs and excise law reduces the rates of ad valorem excise duty on excisable goods, except on spirits and cigarettes, by 2,5%, and imposes an environmental excise tax of 20% on certain plastic packaging materials.

Plastic and plastic products as listed in Chapters 39 and 63 of the Harmonized System and Customs Tariff Schedule 2012 attract excise duty at 10% of the ex-factory price.

### Stamp duty

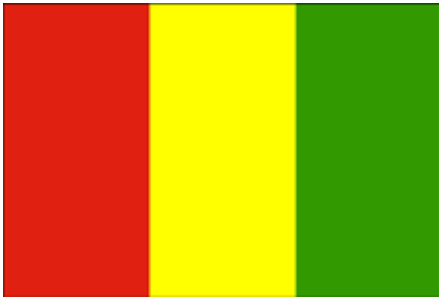
Stamp duty rates vary, as it depends on the kind of transaction.

Proposals in the 2014 Budget Statement

As part of efforts to reduce tax loopholes in the system, proposals will be submitted to parliament during the year seeking to enforce the use of electronic point of sale (EPOS) devices verifiable by the tax authorities. This aims to reduce VAT leakages.



# Guinea



## Introduction

The VAT system was introduced in Guinea on 1 April 1996 to replace the import turnover tax and the tax on production. Guinea's VAT legislation is contained in the General Tax Code.

The VAT system is administered by 'Direction Nationale des Impôts'.

## Rates and scope

### Rates

The standard VAT rate of 18% applies to all supplies that do not qualify for an exemption, or that are zero-rated (0%). There is no other higher or lower VAT rate that applies.

### Scope

VAT is imposed on following transactions:

- Supply of goods, i.e. the transfer of power to dispose of tangible property as owner even if such transfer is effected at the behest of a public authority;
- Supply of goods and provision of services to oneself, which means the levy or the use of goods that gives rise to deduction of VAT for purposes other than those of the company, or the provision of services free of charge by a taxpayer for purposes other than those of the company;
- Provision of services to third parties, i.e. all activities relating to industry rental contracts or work contracts by which a person undertakes to perform a given job

in return for payment;

- Rentals of movable and immovable properties;
- Transactions on intangible properties;
- Leasing transactions;
- Transportation of persons and goods, transit and handling;
- Supply of water, electricity, gas and telephone;
- Transactions carried out within the framework of liberal professions, study, research and consulting works;
- Sales for consumption on the premises;
- Construction works carried out by different trades participating in the construction, maintenance and repair of buildings and for real estate works and public works; and
- Imports of goods or merchandise

into Guinea, even where the importer is not itself subject to VAT.

## VAT registration

### Compulsory registration

Any natural person or corporate body liable for VAT must file an application for registration to the 'Direction Nationale des impôts' within 15 days following the start of activities. The Direction Nationale des Impôts will immediately deliver a registration certificate as well as the identification number.

Taxpayers are automatically subject to VAT if their turnover is equal to or exceeds 500 million Guinean francs/GNF (USD72 674.4 ). Taxpayers whose turnover is between 150 million Guinean francs/GNF (USD21 802.3) and 500 million Guinean Francs/GNF (USD72 674.4) are taxed under authorisation of the Directeur National des impôts.



## Contact details – PwC, Guinea

Postal address	Telephone numbers	
PO Box 478, Conakry	+224 30 45 14 43	

PwC contact persons	Contact details	E-mail address
Mohamed Lahlou	Tél: +224 64 00 00 37	mohamed.lahlou@gn.pwc.com
Paul Tchagna	Tél: +224 64 00 00 31	paul.tchagna@gn.pwc.com

Taxpayers whose turnover is less than 150 million Guinean francs/GNF (USD21 802.3) are not subject to VAT, according to the provisions of the finance law for 2010.

### Voluntary registration

Taxpayers whose turnover is between 150 million Guinean francs/GNF (USD21 802.3) and 500 million Guinean Francs/GNF (USD72 674.4) are taxed under authorisation of the Directeur National des Impôts.

### Non-residents

Non-residents must appoint a solvent representative accredited by the tax authority. A bank account in Guinea is not required.

The local client of a non-resident plays the role of solvent representative under the reverse-charge mechanism.

### Application for registration

Application for registration is made to the Directeur National des Impôts and must contain the following documents:

- Copy of the articles of association;
- Copy of the trade and property credit register number;
- Copy of the lease contract; and
- Proof of the payment of 100 000 Guinean francs/GNF (USD 14.5349) registration fees.

### Deregistration

A statement of assignment, termination or amendment must be submitted to the Direction Nationale des Impôts within 30 days following these events.

### Output tax

#### Advertising and prices

Prices must be advertised inclusive of VAT.

#### Calculation of output tax

The tax is calculated on the basis of the whole price received by the provider from the client, excluding the charged VAT itself, cash discounts, remittances or other reductions in price.

### Exemptions and zero-rating

#### Exempt supplies

The following supplies are exempt from VAT:

a) Sales of tax stamps for the benefit of the state and the importation of such goods;

b) The following operations, where they are already subject to specific duties, exclusive of tax on turnover:

- Interest, bank charges and other profits made by banks and credit institutions; and
- Operations intended to transfer real estate or movable property subject to registration fees, excluding such operations carried out by estate agents or lessors;

c) The following operations related to the rental of undeveloped land and unfurnished premises:

- The sale, import, printing and composition of periodical publications, whatever their denomination (journal, review) mainly composed of text, relating to news and information of general interest, excluding registry receipts;
- Services or activities of a social, educational, sporting, cultural, philanthropic or religious nature, carried out by not-for-profit organisations run by disinterested and benevolent parties. However, the activities of these organisations are taxable when they are carried out in a competitive sector;
- The sale of certain goods: rice, flour and additives for its production, wheat, bread, food oils, palm oils, fish, pharmaceutical products, fertiliser and sanitary products, books and school equipment; and
- Sale of second-hand goods made by owners who used them for business purposes.

### Zero-rated supplies

The zero rate applies to the export of taxable goods and international transportation.

## Input tax

### Input tax allowed

VAT levied for pre-payment on a taxable transaction is deductible from the final tax paid on such transaction.

To be deductible, VAT should appear:

- On a bill duly issued by a supplier who is registered for VAT. Such a bill should also bear the supplier's single identification number, the business or company name and its exact address, the client's name, address and single identification number, the amount exclusive of taxes on the transaction, the relevant VAT amount and rate as well as the total amount inclusive of all taxes on the transaction;
- In the case of imports, on the import documentation (such as home use entry statement); and
- In the case of supplies to oneself, on a special return filed by the taxpayer himself.

The deduction concerns VAT levied on the purchase of goods, merchandise and services used for business purposes.

The right to deduction arises once the supplier's tax payments fall due.

### Input tax expressly denied

VAT incurred on the following expenses is expressly denied as an input tax deduction:

- Expenses for housing, lodging, catering, receptions, shows and costs of hiring a private car or passenger transport vehicle. This exclusion does not concern expenses incurred by professional providers of catering, receptions and shows;
- Importation of goods which are unused and re-exported as is;
- Assets transferred without compensation or with payment far below their normal price;

- Services relating to goods exempted from the right to deduction;
- Petrol products. However, in the case of industrial concerns, VAT on petrol products used by immobile machinery, such as combustible fuels or agents for production, are deductible by up to 100% as of 2001;
- Telephone and Internet expenses, except for enterprises and companies whose purpose is directly related to the telephone or Internet services; and
- Vehicles for the carriage of people or for mixed usage, as well as their spare parts, components and accessories. This exclusion does not cover transport vehicles with more than eight seats besides the driver's seat, used by companies exclusively for staff transport, as well as the assets of vehicle hire companies or public transport.

### Partial exemption

For taxpayers not exclusively carrying out transactions giving a right to deduction, the deduction must be made proportionately (pro rata). It must be calculated from the fraction of turnover pertaining to taxable transactions, as follows:

- As the numerator, the combined transactions subject to VAT and all exports (taxable at 0%); and
- As the denominator, the combined turnover (numerator plus exempted transactions).

The deduction is:

- 100% if the ratio is greater than 0.9;
- 80% if the ratio is between 0.7 and 0.9;
- 60% if the ratio is between 0.5 and 0.7;
- 40% if the ratio is between 0.3 and 0.5; and
- 0% if the ratio is less than 0.3.



The following do not figure in the part used to calculate the ratio: Supply of goods to oneself, subsidies on tax-exempt equipment, disbursements which are merely refunds of the exact amount of costs, and indemnities not constituting compensation for taxable transactions.

### Adjustments

Taxpayers qualify for part of the previous deduction where property which had been subject to deduction under fixed assets ceases to be part of the assets of the enterprise before the end of the third year following the date of acquisition. Such a part is equal to the amount of the deduction, less one-fifth for each year or part thereof from its time of acquisition.

Pre-registration or post-deregistration VAT

Taxpayers are not allowed to deduct any VAT before registration and the issuing of a tax identification number.

## Imports

### Goods

VAT is payable on the importation of goods.

VAT received on imports by the customs service is calculated according to the customs value. To this is added the sum of the other customs taxes and duties apart from VAT.

### Services

VAT related to services rendered by non-residents is collected through the reverse-charge mechanism in practice. The VAT due is declared and paid by the local client beneficiary of the service.

## Exports

### Goods

Exportations of products are taxed at the zero rate, and entail a right to a tax credit where VAT on such

products was pre-paid.

### Services

Transactions carried out in Guinea and not listed among the exemptions are liable for VAT even when the residence or head office of the real taxpayer is situated outside Guinea. In the case of services, they are taxable if carried out or rendered in Guinea.

### Refunds to foreigners

In application of the principle of territoriality of VAT in Guinea, foreign entities do not qualify for a refund.

## Place, time and value of supplies

### Place of supply

Transactions carried out in Guinea and not listed among the exemptions are liable for VAT even when the residence or head office of the real taxpayer is situated outside Guinea. A transaction is deemed to have been carried out in Guinea:

- Where, in the case of a sale, goods are delivered in Guinea; and
- Where, in the case of other transactions, the service is carried out or rendered in Guinea.

### Time of supply

The tax is due as follows:

- For goods, the moment of delivery;
- For imports, the crossing of the customs post;
- For the exchange of goods and services, the delivery of these goods and merchandise;
- In the case of property work and services, the carrying out of these services; and
- For other business, the receipt of payment.

## Value of supply

The basis of assessment of VAT on supplies of goods and the provision of services within the national territory is as follows:

- For construction work performed – the value of the contracts or bills;
- For the supply of goods – all sums and benefits and all profits, goods or services received or receivable in return for supply of the goods (excluding the charged VAT itself, cash discounts, remittances, or other reductions in price);
- For the exchange of goods – the value of the products received in return for payment for the goods plus, where applicable, the value of the additional payment;
- For the provision of services – all sums and benefits received and, where applicable, the value of material consumed during the execution of the services; and
- For the supply of goods and provision of services to oneself – the cost price of the goods and services.

## VAT compliance

### Accounting basis and tax period

Any taxpayer or legal entity carrying out economic activities must run their accounts according to the SYSCOA law. The tax period is linked to the calendar year.

### Returns and payment of VAT

A monthly tax return must be filed (before the 15th of each month) on the form specified by the tax authorities named 'Déclaration Mensuelle Unique' – DMU (Unique Monthly Declaration).

The tax return submitted to the Receiver of Taxes before the 15th of each month must be accompanied by the appropriate payment and a table summarising the input VAT.

## Interest and penalties

- Late payment

In case of late payment, a 2% interest on arrears per month is due, calculated on the basis of the amount which payment is outstanding on. The interest in arrears is calculated with effect from the first day of the month following that during which the tax had to be paid up to the last day of the month of the payment.

- Failure to submit monthly tax returns

The failure to submit monthly tax returns gives rise to the interest on arrears mentioned above and an increase of 10% of the amount of tax charged to the taxpayer or resulting from the tax return, with a minimum of 100 000 Guinean francs/GNF (USD14.5349).

The supplement is increased to 50% when the tax return is not filed within 10 days following receipt of a notice to file return.

- Inadequacies or inaccuracies

Inadequacies or inaccuracies affecting the tax base or data give rise to the interest on arrears mentioned above if good faith is established, plus an increase of 50% where a lack of good faith is established. The supplement is increased to 100% in case of fraudulent practices or opposition to a tax audit.

## Refunds

VAT credits may be refunded, on condition that their beneficiaries do not owe any taxes and duties whatsoever which can be swapped, and that the credits are justified.

## Objections and appeals

Petitions seeking to obtain a tax remission or reduction must be addressed to the Directeur National des impôts. They must contain all information necessary for the identification of the tax in question and include a copy of the notice of issue for collection.

## Time limits

Sums due from taxpayers for taxes and duties assessed in terms of the General Tax Code lapse after a period of three years following the due date, where no instrument has been issued to end the limitation. The time limit is also three years in the case of taxes deducted at source.

## VAT records

### Tax invoices

Taxpayers liable for VAT are required to issue an invoice showing the amount exclusive of taxes on the transaction, the relevant VAT amount and rate, as well as the total amount inclusive of all taxes on the transaction.

These invoices should also carry the taxpayer and the client's single identification numbers, the businesses' or companies' names and their exact addresses.

### Credit notes and debit notes

There are no rulings on credit notes and debit notes in the tax legislation, but they result from accounting practice. They are tolerated by the tax authorities and must meet the same conditions that apply for an invoice.

### Additional export documentation

The following documents are requested:

- The invoice; and
- The application for exportation.

### Record-keeping

Taxpayers are required to keep the following accounting books:

- ✓ Journal ledger
- ✓ Sales ledger
- ✓ Purchases ledger
- ✓ Annual accounts ledger.

The accounting entries must be available in the Republic of Guinea.

## Specific VAT rules

### Bad debts

For taxes which cannot be collected due to a change in the situation of the taxpayer at the time of assessment, the collector of taxes will provide the tax authorities with lists of irrecoverable taxes as well as any information or details showing clearly that such taxes have become irrecoverable. They will be submitted along with documents to support the measures taken to recover the said taxes.

### Land and buildings

Transactions consisting of the transfer of property are exempt from VAT when subject to specific taxes, exclusive of tax on turnover (i.e. registration duties). However, rentals of buildings are expressly subject to VAT as the provision of services.

Input VAT on assets is refundable over the course of each trimester of the calendar year.

### Leasing

Leasing is taxable as a taxable transaction.

### Promotional gifts

The free distribution of goods for advertisement or sales promotion is excluded from the basis of assessment.

### Second-hand goods

Sales of second-hand goods made by taxpayers who used them for the purposes of their exploitation are exempt.

**Tourism industry**

Tourism activities are supported by tourism's tax promotion (TPT) payable by any person staying in a hotel or an assimilated establishment.

**Currency conversion**

VAT is not applicable to exchange gains arising from currency conversion.

**Transfer of a business**

The transfer of a business is subject to registration fees but is exempt from VAT.

**Warranty repairs**

Warranty repairs are considered as accessory services to sales of goods which are taxable.

**Other indirect taxes****Import duties**

The tax base of customs duties corresponds with the customs valuation, namely the selling price of the goods plus cost of delivery to Guinea (i.e. costs of insurance and transportation).

The rates of customs duties depend on the nature of the imported goods, ranging from 2,75% to 97,81%.

**Excise duties**

Excise duty is levied on imported liqueurs and whiskies at the rate of 45%, payable within the custom duties.

An alcoholic beverages tax is also provided on the assignment of alcoholic beverages after their manufacturing in Guinea, ranging from GNF1 000 to GNF1 500 per bottle according to the volume.



# Kenya



## Introduction

VAT was introduced in Kenya with effect from 1 January 1990 to replace Sales Tax, which had been in operation since 1973. The basic law was contained in the VAT Act, Cap. 476 of the Laws of Kenya read together with the Regulations from which it stems. The VAT Act, Cap. 476 was repealed and a new VAT Act, 2013 came into effect in September 2013.

The Kenya Revenue Authority (KRA), which was established under an Act of Parliament in 1995, is mandated to administer and enforce the VAT Act.

## Rates and scope

The current standard rate of VAT in Kenya is 16%. The rate applies to all taxable supplies of goods and services not qualifying for another rate of VAT or VAT exemption.

With effect from June 2006, hotel and restaurant services are subject to a VAT rate of 16%. Such services were also subject to a Catering, Training and Tourism Development Levy (CTTDL) of 2%. Hence, with effect from June 2006, the cumulative rate applicable to hotel and restaurant services is 18%. However, in calculating the taxable value of hotel and restaurant services, the 2% CTTDL was to be excluded. Prior to June 2006, hotel and restaurant services were subject to a reduced VAT rate of 14% and the 2% CTTDL, bringing the effective combined rate to 16%, similar to the standard rate for other taxable supplies. Under VAT Act, 2013 the consideration

for a supply of accommodation or restaurant services does not include the Tourism levy.

VAT is charged on the supply of taxable goods or services made or provided by a registered person in Kenya; on the importation of taxable goods; and on the supply of imported taxable services.

In relation to taxable supplies in Kenya, a person who makes taxable supplies to the value of KES5 million or more in any period of 12 months is required to levy and pay VAT to the KRA.

A person means an individual, company, partnership, association of persons, trust, estate, the Government, a foreign government, or a political division of the Government or foreign government.

A registered person is any person liable to apply for VAT registration under the VAT Act, but does not

include an export processing zone (EPZ) enterprise.

The following supplies fall outside the scope of the VAT system:

- Supply of goods in a bonded warehouse in Kenya;
- Employment services rendered by an employee to the employer in consideration for a wage or salary;
- Taxable supply of a capital asset of the person;
- Taxable supply made solely as a consequence of the person selling the whole or part of a business or ceasing to carry on the business;
- Disbursements to a third party of incidental costs incurred in the course of making a supply; and
- Supplies made by a person who is not required to register for VAT, for example someone whose turnover is below the VAT registration threshold.



## Contact details – PwC, Kenya

Website: [www.pwc.com/ke](http://www.pwc.com/ke)

Physical address	Postal address	Telephone number
PricewaterhouseCoopers Limited PwC Tower Waiyaki Way, Westlands Nairobi	PO Box 43963 Nairobi Postcode 00100	+254 20 285 5000

PwC contact persons	Designation	Contact details
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## VAT registration

### Compulsory registration

The following persons are liable to register for VAT:

- One who has made taxable supplies or expects to make taxable supplies, whose value is five million shillings or more in any period of twelve months; or
- One who is about to commence making taxable supplies the value of which is reasonably expected to exceed five million shillings in any period of twelve months.

Failure to register for VAT will lead to retrospective compulsory registration by the Commissioner of Domestic Taxes from the date the person became liable for registration. Furthermore, the person will be liable on conviction to a fine not exceeding KShs200 000 or imprisonment for a term not exceeding two years or both.

### Voluntary registration

The VAT Act provides for voluntary VAT registration when one expects to make taxable supplies by making an application to the Commissioner.

### Group registration

According to the VAT Act, 2013 the Commissioner may, in regulations, provide for the registration of a group of companies as one registered person. Please note that the regulations have not been issued and are expected later in the year.

### Non-residents

Non-resident businesses are defined under the definition of persons as an individual, company, partnership, association of persons, trust, estate, the Government, a foreign government, or a political division of the Government or foreign government. A Company means a company as defined in the Companies Act or a corporate body formed under

any other written law, including a foreign law, and includes any association, whether incorporated or not, formed outside Kenya which the Cabinet Secretary may, by order, declare to be a company for the purposes of this Act. From the definition therefore non-resident businesses are required to register for VAT for the purposes of this Act.

In addition, where services are provided by a non-resident person to a resident recipient who is not registered for VAT, the non-resident supplier is required to appoint a tax representative to meet his VAT obligations. The tax representative will be registered in the name of the non-resident person.

### Application for VAT registration

Following the successful launch of electronic registration services from 30 March 2009, the manual processing of VAT certificates has been discontinued. This has been



replaced by the online issuance of a taxpayer registration certificate (TRC) that specifies a taxpayer's personal identification number (PIN) and the tax obligations for which a taxpayer qualifies to be registered. A PIN certificate is issued within a few hours of making the application online.

A taxpayer within the threshold for VAT registration must, therefore, charge VAT, as it will be issued with a TRC within a few hours of making the application online. The following are the documents required for online registration of a company incorporated in Kenya:

- Certificate of incorporation (certificate of compliance in the case of a branch); and
- PIN details of at least two directors of the company (the directors are required to be registered as KRA online users). In the case of non-resident directors, the PIN details of the company secretary would suffice.

The VAT legislation requires VAT-registered persons to display their registration certificates in a clearly visible place at the principal place where business is carried on and a copy of the certificate at every other place at which the person carries on business. Failure to comply with the requirement constitutes an offence that is punishable on conviction by a fine not exceeding KES200 000 or imprisonment for a term not exceeding two years or both.

### **Deregistration**

If a registered person ceases to make taxable supplies, he must notify the Commissioner of the date of cessation, and furnish him with a return showing details of all goods in stock and taxable assets within 30 days from the date the registered person ceased to make taxable supplies.

If the value of the registered person's taxable supplies in any 12 months does not exceed KShs5 million and he

does not expect any increase in such supplies in the next 12 months, he may also notify the Commissioner of deregistration.

Other reasons for deregistration include death, insolvency, goods becoming non-taxable, change of trading names, and legal incapacitation. Where such changes occur, the registered person, the one charged with liquidation, the executor or any other person must notify the Commissioner without delay.

### **Output tax**

Output tax means tax that is due on taxable supplies. Output tax is computed by applying the VAT rate attributable to the taxable value of the supply. The VAT rate attributable to the supply will depend on whether the supply is taxable at the standard rate or at the zero rate.

### **Exempt supplies**

Businesses that deal exclusively in exempt supplies are not required to register for VAT, and cannot claim relief from input tax on the goods and services that they consume. The exempt supplies include, but are not limited to:

- Financial services;
- Supply or importation of goods listed under Part 1 of the first schedule, which mainly includes food stuffs and medical supplies;
- Live animals, and all types of birds and mammals;
- Plant and machinery as in chapters 84 and 85;
- Unprocessed milk;
- Milk specifically prepared for infants;
- Bread, maize flour and semi-milled rice or milled rice;
- Medicaments;
- Helicopters and aeroplanes;

- Insurance and reinsurance services, excluding:

- management and related insurance consultancy services,
- actuarial services, and
- services of insurance assessors and loss adjusters;
- Education services, excluding business or user training and other consultancy services designed to improve efficiency and work practices in an organisation;
- Medical, veterinary, dental and nursing services;
- Agricultural, animal husbandry and horticultural services;
- Social welfare services provided by charitable organisations;
- Burial and cremation services;
- Transportation of passengers by any means of conveyance, except international air transport or where the means of conveyance is hired or chartered;
- Sale, renting, leasing, hiring or letting of land and residential premises (excluding hotel and holiday accommodation), excluding car park and conference or exhibition services except where provided for educational institutions as part of learning, community, social and welfare services provided by the National Government, County Government or any political sub-division thereof;
- Insurance agency, insurance brokerage, stock exchange brokerage, and tea and coffee brokerage;
- The supply of services rendered by educational, political, religious, welfare and other philanthropic associations to their members;
- Hiring, leasing and chartering of aircrafts;
- Betting, gaming and lottery services;

- Certain entertainment services (plays, performances and sports events by approved charitable, educational or other institutions of a non-profit nature);
- Restaurant and accommodation services provided within approved educational and medical canteens operated by employer institutions; and
- Conference services conducted for approved educational institutions as part of learning.

Exempt goods in transition for a period of three years with effect from September 2013:

- Natural gas in gaseous state and other gas oils;
- Illuminating kerosene; and
- Kerosene-type jet fuel.

#### **Zero-rated supplies**

Zero-rated supplies include, but are not limited to:

1. Exports (all goods but only taxable services);
2. Supplies of goods or taxable services to export processing zones;
3. Transportation of passengers by air carriers on international flight;
4. Ship stores supplied to international sea or air carriers on international voyage or flight;
5. Tea and coffee supplied for export to coffee and tea auction centres;
6. Supply of natural water (excluding bottled water) by local authority;
7. Transfer of business as a going concern between registered persons;
8. Supply of taxable services to international sea or air carriers on international voyage or flight; and
9. Zero-rated supplies to public bodies, privileged persons and institutions. This is subject to fulfilling conditions required by the Commissioner.

Supplies to official aid-funded projects, privileged bodies or persons and aid agencies may be supplied free of VAT, but only if an exemption certificate is provided. This must be obtained from the Ministry of Finance before importation or local purchase. The registered supplier is required to retain a copy of the exemption certificate as proof of authority to supply the goods or services at the zero rate. Where these goods for which exemption has been granted are subsequently sold, VAT becomes due and payable.

### **Input tax**

#### **Input tax allowed**

Generally, input tax incurred by a VAT-registered person in respect of most expenses incurred and services received for business purposes is deductible. Conversely, input tax is not deductible where:

- Input tax is directly attributable to exempt supplies where the direct attribution method for recovering input tax is applied in calculating the recoverable element of input tax;
- A valid original VAT invoice or a certified copy has not been obtained, or valid customs entry and receipt have not been obtained;
- The input tax is non-Kenyan VAT;
- The time period for claiming input tax has expired (input tax must be reclaimed within six months of the tax point); or
- Input tax is specifically blocked from recovery.

#### **Input tax expressly denied**

The deduction of input tax incurred on the following supplies is specifically denied:

- Entertainment, restaurant and accommodation services if not for business; and

- Passenger cars and minibuses, bodies, parts, oils and services for their repair, unless they are acquired for the purpose of making a taxable supply of that automobile in the ordinary course of business.

### **Partial exemption**

Partial exemption arises where a registered business partly makes taxable supplies and partly makes supplies for another use under the VAT Act.

The following criterion is used to determine the deductible input tax:

- Input tax relating to taxable supplies is deductible in full;
- Input tax relating to other use is not deductible;
- Input tax relating to the making of partly taxable supplies and partly other uses is:
  - deductible in full, if taxable supplies are more than 90% of the total supplies, and
  - not deductible, if taxable supplies are less than 10% of the total supplies.

The amount of input tax to be deducted is determined by the formula below:

$$\frac{\text{Value of all taxable supplies} \times \text{input tax}}{\text{Value of total supplies made}}$$

### **Pre-registration and post-deregistration VAT**

Where:

- a. (On the date exempt supplies made by a registered person become taxable, and the person had incurred input tax on such supplies; or
- b. (On the date he is registered, a person has incurred tax on taxable supplies that are intended for use in making taxable supplies, the person may, within three months from that date, claim relief from any tax shown to have been incurred on such supplies: provided that this subsection will apply where such supplies are purchased, within the period of twenty-four months immediately preceding registration or the exempt supplies becoming taxable.

A registered person who ceases to make taxable supplies must apply in writing to the Commissioner for the cancellation of the person's registration, within thirty days of the date on which the person ceases to make taxable supplies. A person whose registration is cancelled will be deemed to have made a taxable supply of any trading stock on hand at the time the registration is cancelled if the person was allowed an input tax credit for the acquisition or import of the stock, or in respect of the acquisition or import of goods that have been subsumed into that stock.

### **International trade**

#### **Imports**

##### **Goods**

The term importation means to bring or cause to be brought into Kenya, goods from a foreign country or from an EPZ.

Importer in relation to goods means the person who owns the goods, or any other person who is, for the time being, in possession of or beneficially interested in the goods at the time of importation.

#### **The Commissioner of Customs:**

- a. Will collect tax payable under this Act on imported goods at the time of importation and will, at that time, obtain such information as may be prescribed in respect of the importation; and
- b. May make arrangements for such functions to be performed on his behalf in respect of imported goods through the postal service.

No input tax may be deducted in relation to imported goods unless a registered person is in possession of:

- An original valid tax invoice or certified copy;
- A customs entry duly certified by the proper officer and a receipt for the payment of tax; or
- A customs receipt and a certificate signed by the Commissioner of Customs Services stating the amount of tax paid in the case of goods purchased from a customs auction;
- A credit note; and
- A debit note.

The time of supply of imported goods will be:

- a. In the case of goods cleared for home use directly at the port of importation, or goods entered for removal to an inland station and there cleared for home use, at the time of customs clearance;
- b. In the case of goods removed to a licensed warehouse subsequent to importation, at the time of final clearance from the warehouse for home use;
- c. In the case of goods removed from an export processing zone, at the time of removal for home use; and
- d. In any other case, at the time the goods are brought into Kenya.

#### **Services**

If a supply of imported taxable services is made to a registered person, the registered person will be deemed to have made a taxable supply to himself.

The tax point for imported services is the earlier of the date:

- The service is received;
- A certificate is issued by an architect, surveyor or any other person acting in a supervisory capacity;
- The invoice for the service is received; or
- Full or partial payment is made for the service.

Where the recipient of services is a registered person, he will be deemed to have made a taxable supply to himself. Any output tax in respect of the deemed taxable supply will be payable by the registered person at the time of supply.

Where the recipient of services is not a registered person, then the supply of services will be deemed to be made by the non-resident person in Kenya. If the value of the supplies is Kenya shillings five million or more in any period of twelve months, then the non-resident entity will be required to appoint a tax representative to meet its VAT obligations in Kenya.

### **Exports**

#### **Goods**

Any goods exported by a registered person or supplied by that person to an EPZ are zero-rated, where the registered person holds evidence of exportation consisting of the following:

- A copy of the invoice showing the sale of the goods to the purchaser;

- The export entry duly certified by the proper officer of customs at the port of export;
- Transit documents, such as copies of the bill of lading, road manifest or airway bill; and
- In the case of sugar and all excisable goods, a certificate signed by the Commissioner of Customs Services that the goods have been examined and loaded into sealable vehicles or containers under a tamper-proof seal and the seal number duly endorsed on the export entry.

### Services

Services exported out of Kenya are services provided for use or consumption outside Kenya.

An exporter of services is required to maintain tax invoices showing that the services were provided to a foreign country recipient or an EPZ.

Please note that according to the place-of-supply rules, a supply is made in Kenya if the place of business of the supplier from which the services are supplied is in Kenya.

Where services are supplied for use or consumption outside Kenya, this is regarded as an export of services.

However, while the Commissioner of Domestic Taxes may require proof of payment from the exporter's financial records, including bank statements, the law is not clear on what constitutes "use or consumption outside Kenya" and has led to disputes between the revenue authority and taxpayers which have been arbitrated at the VAT Tribunal, resulting in different verdicts based on whether the service is physically used or consumed in Kenya.

### Place, time and value of supply

#### Place of supply

The place of delivery is generally accepted as the place of supply in

relation to goods. However, where the goods are made or provided in Kenya or imported into Kenya, the place of supply will be in Kenya.

Place of supply in relation to services is not clearly defined. The VAT Act makes reference to the terms 'use' or 'consumption' of the service in the definitions of both exported and imported services. However, the terms 'use' and 'consumption' are not defined in the VAT Act, which leads to subjectivity in their interpretation.

A supply of services is made in Kenya if the place of business of the supplier from which the services are supplied is in Kenya. However, an exception is available where the services are exported to a customer who uses or consumes the services outside of Kenya.

A supply of goods occurs in Kenya if:

- (The goods are delivered or made available in Kenya by the supplier;
- (The supply of the goods involves their installation or assembly at a place in Kenya; and
- The goods are delivered outside Kenya, but were in Kenya when their transportation commenced.

However, an exception applies where the goods are exported outside of Kenya. Accordingly, if goods are supplied in Kenya they will, in principle, be subject to Kenyan VAT.

#### Time of supply

Output tax is due and payable to the Commissioner of Domestic Taxes once a tax point has been triggered on the earliest of the following dates:

- Date of issue of an invoice for the supply;
- Date of full or partial payment for the supply;
- Date when the goods or services are supplied to the purchaser; or

- Date of issue of a certificate by an architect, surveyor or any person acting in a consultant or supervisory capacity in respect of the service.

However, the VAT Act provides that "if goods or services are made by metered supplies, or under an agreement or law that provides for periodic payments, the goods or services shall be treated as successively supplied for successive parts of the period of the lease or agreement, or as determined by law, and the time of each successive supply shall be the earlier of the date on which payment for the successive supply is due or received".

#### Value of supply

The taxable value of a supply, including of imported services in the case of a supply by the registered person to an independent person dealing at arm's length, is the consideration at which the supply is provided, or where the supplier and recipient are related, the price at which the supply would have been provided in the ordinary course of business (open market value of the supply) by a registered person to an independent person dealing at arm's length. In the case of taxable goods imported into Kenya, this is the sum of the following amounts:

- The value of such taxable goods ascertained for the purpose of customs duty, whether or not any customs duty is payable on those goods;
- If not included as part of value of goods above: cost of insurance and freight incurred in bringing the goods into Kenya and cost of services treated as part of the imported goods; and
- The amount of customs duty, if any, payable on those goods.

Unless the context requires otherwise, a supply of services that is ancillary or incidental to the importation of goods will be treated as part of the importation.

The consideration for a supply includes the amount charged for:

- a. Any wrapper, package, box, bottle, or other container in which goods are supplied;
- b. Any other goods contained in or attached to the wrapper, package, box, bottle or other container referred to in paragraph (a); or
- c. Any liability that the purchaser has to pay to the vendor by reason or in respect of the supply in addition to the amount charged as price.

## VAT compliance

### Returns and payment of VAT

VAT returns (Form VAT3) are filed on a monthly basis. The return must be submitted and payment of VAT made within 20 days of the end of every tax period (the tax period is equal to one calendar month) except where the 20th day falls on a Saturday, Sunday, or public holiday, in which case the return is due on the preceding working day. KRA encourages taxpayers to file VAT3 returns online, and has fixed deadlines within which taxpayers must comply with the online payment of tax and returns filing.

Payment can be made in cash or by way of a cheque or a bank transfer. However, taxpayers will have to convert to online payment of tax.

### Interest and penalties

In the case of the late filing or non-filing of a VAT return, a flat rate penalty of KShs10 000 per month or 5% of tax due, whichever is higher, plus interest payable on the outstanding balance at a rate of 2% per month compounded is payable.

Late payment of VAT will result in interest on the outstanding tax balance at a rate of 2% per month compounded. In these cases, the flat rate penalty is waived and only the interest is charged.

## Refunds

VAT credits are usually carried forward to offset future VAT liabilities. However, a tax refund can be obtained upon application on a prescribed form (on Form VAT4), in the following cases:

- Where a taxpayer is in a credit position and the credit is attributed to the making of zero-rated supplies;
- Where tax has been paid in error; or
- Where tax has been paid on uncollected debts.

The refund claim must be accompanied by an auditor's certificate where the amount of the refund claimed is in excess of KShs1 million. The claim for a tax refund, other than a claim for a refund based on the Commissioner's discretion for supplies relating to public interest, must be made within 12 months from the time the tax becomes payable.

VAT-registered businesses can utilise an approved VAT refund for set-off against any other current or future tax liability. However, refunds cannot be used to set off taxes arising upon importation of either goods or services.

## Objections and appeals

A person who disputes an assessment served on him for failure to pay any of the VAT that has become payable by him may object to the assessment by notice to the Commissioner. The notice must expressly state the grounds of objection to the assessment, and be received by the Commissioner within 30 days after the date of service of the notice of assessment.

Where the Commissioner receives the notice of objection he must within 30 days amend or decline to amend the assessment.

Where the Commissioner agrees to amend the assessment he must within 15 days amend the assessment and serve the person accordingly. Where the person does not agree with the Commissioner's amendment assessment, the assessment will be amended as proposed by the Commissioner, who will within 15 days issue a notice setting out the amendment.

Where the Commissioner refuses to amend the assessment he will within 15 days issue a notice confirming the assessment.

Where the Commissioner fails to communicate the decision on a person's objection within sixty days of the receipt of the objection, the Commissioner will be deemed to have agreed to amend the assessment in accordance with the objection.

Where a person disputes the decision of the Commissioner on any matter subsequent to an objection, he may, upon giving notice in writing to the Commissioner within 30 days of being notified of the decision, appeal to the Tribunal, provided that:

- The person pays assessed tax not in dispute or such part thereof as the Commissioner may require; and
- In case of any other dispute, the person, before filing the appeal, must submit all tax returns where applicable, as required, and pay the tax amount shown thereon as being due and payable.

A party to an appeal who is dissatisfied with the decision of the Tribunal on the appeal may appeal to the High Court within 14 days of being notified of the decision, provided that before filing the return such person must deposit with the Commissioner the full amount of tax disputed.



### Time limits

Input tax may be deducted at the end of either the tax period in which the supply or importation occurred or the following tax period, provided that not more than six months have elapsed since that input tax became due and payable.

### VAT records

#### Tax invoices

A tax invoice must be issued by any registered person who makes a taxable supply immediately when the supply is made. The tax invoice to be issued is required to be serially numbered, and either generated through an electronic tax register (ETR), or have an attached receipt generated from an ETR containing details of all the transactions.

A tax invoice can be issued in a currency other than KShs, but must be converted to KShs for purposes of recording and accounting in the VAT returns and records. Electronic invoicing is not yet permitted in Kenya for VAT purposes.

- A proper tax invoice must include the following:
- Name, address, and personal identification number (PIN) of the person making the supply;
- Serial number of the tax invoice;
- Date of the tax invoice;
- Date of the supply;
- Name, address, and PIN (if known) of the recipient;
- Description, quantity, and price of the supply;
- Taxable value of the supply (if different from the price charged);
- Rate and amount of tax in respect of each of the goods or services supplied;
- Details of cash or credit sale;
- Details of any discount offered;
- Total value of the supply and the total VAT charged; and

- The logo and identification number of the ETR.

Simplified tax invoices are permitted where cash sales are made from retail premises or where cash sales to the same person in any one day do not exceed KShs500. A simplified tax invoice must have the following information:

- Name, address and PIN of the user of the register;
- Logo and identification number of the ETR;
- Serial number of the receipt;
- Date of the invoice;
- Brief description of the goods/ services supplied; and
- Total charge to recipient (VAT-inclusive) and a statement that the price includes VAT.

The ETR requirement is aimed at ensuring that sales are recorded properly. Registered taxpayers must implement, install, and use the ETR to issue invoices at each sales point. For taxpayers with computerised accounting systems for sales, an electronic signature device is required to be installed in their systems.

#### Credit notes and debit notes

Where a registered person amends the value of goods or services sold for a valid reason, e.g. a reduction in the price charged as a result of a price negotiation, or increasing the price charged to correct an undercharge, credit or debit notes must be issued.

A credit note should:

- Be serially numbered;
- Contain the name, address, and PIN of the customer;
- Contain details of the original tax invoice on which the supply was made and the VAT that was originally charged; and
- Not be issued more than six months after the relevant tax invoice was issued.

When a VAT-registered person issues a credit note that effectively reduces the amount of VAT charged in his original invoice, he may claim a credit (via his VAT account or return) in respect of the VAT amount relating to the reduction in the value of the supply in the period in which he raises the credit note.

The debit note has the effect of increasing the taxable value indicated on the original invoice, and therefore acts as an additional tax invoice for VAT purposes. It must contain the same details as required for a standard VAT invoice and details of the tax invoice issued at the time of the original supply.

#### Record-keeping

A registered person is required to keep records of all supplies, including zero-rated, standard-rated, and exempt supplies. These details should be recorded in the VAT return.

Records must, for VAT purposes, be kept for five years. The records may be kept solely in electronic form, but businesses must assist VAT inspectors in accessing such records. Businesses may keep records outside the country, but the records must be made available for inspection in Kenya as and when required by the KRA.

A taxpayer must maintain a separate memorandum VAT account, which will be included in the audit of the accounts. The entries required to be included in the VAT account for each period are:

- Total of VAT charged on sales in the period;
- Total VAT incurred on purchases in each period; and
- Net total of VAT payable or recoverable at the end of the period.

Partly exempt businesses making both exempt and taxable supplies must calculate their input tax in accordance with the partial exemption method.

The calculations for determining input tax recoverable should be retained to provide a clear audit trail between VAT incurred on costs and VAT recovered per the VAT return.

## **Specific VAT rules**

### **Bad debts**

A VAT-registered person who has made a supply and paid tax on that supply can apply for a refund or remission of the VAT paid under the following circumstances:

- Where three years have elapsed since the date of that supply, and the debt has not been recovered;
- Before three years have elapsed where the debtor has been declared legally insolvent;
- Where the debt is not more than five years old; and
- Where the taxpayer can prove that reasonable attempts have been made without success to collect the debt.

### **Land and buildings**

The sale, renting, leasing, hiring, or letting of land and residential buildings is exempt from VAT. The exemption does not apply where such services are supplied in respect of car park services or conference or exhibition services, except where provided for educational institutions as part of learning. However, the sale, renting, leasing, hiring or letting of buildings used for non-residential purposes is subject to VAT.

### **Second-hand goods**

Input tax on second-hand goods is deductible. Output tax is to be accounted for on taxable second-hand goods. An exception is where input tax included in the purchase price of such goods was not allowable for deduction.

### **Tourism industry**

Transportation of tourists is taxable.

Tour operation and travel agency services, including travel, hotel, holiday, and other supplies made to travellers, are now taxable.

### **Transfer of a business**

The transfer of a business as a going concern from one registered person to another registered person is zero-rated for VAT purposes.

### **Warranty repairs**

Usually, the grant of a warranty under repair would be included in the price of goods or services to be provided under that warranty, and on that basis VAT would have been accounted for when accounting for the VAT on the taxable goods or services. If warranty repairs are made without a further charge, the consideration for repair under warranty would be nil.

### **VAT remission**

A VAT incentive scheme provides for VAT remission on certain capital goods, effectively resulting in no payment of VAT on the purchase or importation of certain capital goods.

Under the VAT Act, 2013:

- VAT remission has been abolished; and
- Remissions already granted under the repealed Act continue to remain in force for a period of five years.

## **Other indirect taxes**

### **Import duty**

Import duty is imposed on goods imported into Kenya. The rate will depend on a common external tariff (CET) in respect of the goods. The import duty rates range from 0% to 25%. The import duty rates and their application are governed by the East African Community Customs Management Act.

### **Excise duty**

Excise duty is a tax imposed on excisable services or excisable goods manufactured in or imported into Kenya. Excise duty is governed by the Kenyan Customs and Excise Act.

Excise duty must be accounted for on certain manufactured goods, including alcoholic and non-alcoholic beverages, luxury goods, soft drinks, water, juices, tobacco products, petroleum products, cosmetics, and vehicles. Excise duty is also applicable to services such as the use of a mobile cellular phone service, fees charged for money transfer services by cellular phone service providers, banks, money transfer agencies, other financial service providers and other fees charged by financial institutions licensed under the Banking Act, the Insurance Act, the Central Bank of Kenya Act or the Micro Finance Act, 2006.

### Stamp duty

Stamp duty rates vary from 0,15% to 4%. Stamp duty is applicable to:

- Transfer of immovable property;
- Transfer of unquoted stock or marketable securities;
- Creation or increase of share capital;
- Leases; and
- Grant of security over assets.



# Lesotho



## Introduction

VAT was introduced in Lesotho with effect from 1 July 2003, by way of the Value-Added Tax Act No. 9 of 2001. VAT replaced the general sales tax system that was used for many years.

The VAT system is administered by the Commissioner for VAT in the Lesotho Revenue Authority (LRA).

## Rates and scope

The VAT rates are as follows:

- 0% on goods and services exported from Lesotho;
- 5% on supplies of electricity and telephone calls;
- 15% on import and supplies of alcoholic beverages and tobacco; and
- 14% on all other taxable supplies and service (the standard rate).

All goods and services that are subject to VAT, including zero-rated supplies, are referred to as 'taxable supplies'. The total value of these supplies is referred to as 'taxable turnover' for VAT registration purposes.

VAT is a tax on the disposal, either by sale or transfer, of goods or services, either supplied in Lesotho or imported into Lesotho, including supplies to Government.

A 'supply' of goods means any arrangement under which the owner of goods parts with, or will part with, possession of those goods. 'Goods' means not only tangible movable property but also buildings and

developments. The supply of goods also includes the application of the goods for the supplier's own or for non-business use.

The supply of services includes the making available of any facility, the toleration of any situation or the refraining from doing any act, where a person receives a payment, or the application of services for own use.

VAT is charged on a supply by auction, sale of goods by instalments, lay-by sale and the supply of taxable fringe benefits. A supply of goods or services by an agent for a principal is a supply by the principal.

A supply is taxable if it is made by a vendor for a consideration, as part of a trade or profession. A 'vendor' is someone who is, or should be, registered for VAT.



## VAT registration

### Compulsory registration

The VAT registration threshold is, in Lesotho Loti (LSL) 500,000 Maloti ( $\pm$  USD71,200) taxable turnover in the past or next 12 months. The LRA may register a person who should be registered for VAT, but has failed to apply for registration. The vendor will be liable to pay VAT on all the taxable supplies made after the registration date, regardless of whether tax was actually charged. Furthermore, additional tax of up to 200% of unpaid VAT may be imposed.

### Voluntary registration

A person whose taxable turnover is below the threshold may apply for voluntary registration. A person who has set up a business where he intends to make taxable supplies in future can apply to be registered for VAT

## Contact details – PwC

PwC South Africa can assist with any VAT issues relating to Lesotho.

	Physical address	Postal address	Telephone numbers
Cape Town	1 Waterhouse Place Century City Cape Town, 8000	PO Box 2799 Cape Town 8000	Tel: +27 21 529 2000 Fax: +27 21 529 3300
Bloemfontein	61 Second Avenue Westdene Bloemfontein 9301	PO Box 818 Bloemfontein 9300	Tel: +27 51 503 4100 Fax: +27 51 813 1805
PwC contact persons		Contact details	
Charles de Wet		+27 21 529 2377 charles.de.wet@za.pwc.com	
Hennie Smit		+27 51 503 4205 hennie.smit@za.pwc.com	

registration, even if he is yet to begin making the taxable supplies.

### Group registration

Subject to certain conditions, groups of companies may apply for a single VAT registration. The Commissioner may at any time exclude any member from the group.

### Registration of non-residents

A person living in Lesotho may be required to register for VAT notwithstanding that only part of his business is carried on in Lesotho and the other part is carried out abroad. A person will also be required to register for VAT if he has a place of business in Lesotho, notwithstanding that he lives abroad or that he only supplies goods or services abroad.

A local fiscal representative is required but a bank account in Lesotho is not a necessity.

### Application for registration

An application for VAT registration must be lodged with the Commissioner. If the application is approved, the Commissioner will issue a certificate of registration, which must be displayed in a prominent position.

The format of the VAT registration number is: TN0000000-0. The number used is called a tax identification number (TIN).

### Deregistration

The LRA should be notified in writing in the following circumstances and cancellation of registration must take place:

- where there is a change in the legal status of an entity (e.g. a partnership is dissolved);
- if the business is sold;
- if the business ceases trading permanently; or

- if a person was registered as an intended trader and the intention to make supplies had ceased.

### Output tax

Output tax is the total VAT payable in respect of taxable supplies made by the vendor during the tax period. Prices are all VAT-inclusive.



## Exempt supplies

Exempt supplies, in relation to which no input tax deductions can be made, include, but are not limited to:

- education;
- financial services;
- passenger transport;
- insurance;
- public postal services;
- unimproved land;
- lease or letting of immovable property where the tenant is a manufacturer and the property is used by him principally for carrying on a manufacturing enterprise;
- water; and
- services of doctors and dentists (but not, for example, osteopaths).

## Zero-rated supplies

Zero-rated supplies include (but are not limited to) the following:

- maize meal;
- maize, but excluding popcorn or green mealies for human consumption;
- beans – dried, whole, split, crushed or in powder form, but not further prepared or processed, or where packaged as seed;
- agricultural input, e.g. fertilisers, seeds and pesticides;
- paraffin intended for cooking, illuminating and heating, not mixed or blended with any other substance for any purpose other than cooking, illuminating or heating;
- milk intended for domestic consumption;
- bread intended for domestic consumption;
- peas – dried, whole, split, crushed or in powder form, but not further prepared or processed, canned, or frozen, or packaged as seed;
- certain animal feeds and substances;

- lentils – dried, shelled or not skinned or split;
- sorghum meal;
- unmalted sorghum grain;
- wheat grain; and
- wheat flour.

## Input tax

### Input tax deductions allowed

VAT incurred on goods purchased for resale, raw materials purchased by manufacturers and certain services used for the installation of capital goods may be deducted as input tax. However, input tax does not include the VAT paid on goods or services for someone else's business, or the VAT on private purchases. VAT incurred on goods and services acquired to make exempt supplies are not recoverable.

The vendor must be in possession of a proper VAT invoice for purchases made in Lesotho, or Customs documentation in respect of goods imported into the country. Where a vendor has lost a tax invoice, he should request the supplier for a duplicate of the invoice, otherwise a photocopy of the invoice is not allowed when seeking input tax credit. The replacement invoice must be clearly marked by the supplier as a duplicate.

### Input tax expressly denied

There are specific items on which VAT cannot be reclaimed:

- telephone and electricity bills not exceeding M5,000 ( $\pm$  USD710) annually per telephone line or electricity meter (input tax can only be claimed on expenses exceeding M5,000);
- motor cars, except in the case of car dealers, leasing businesses or financial institutions engaged in leasing. Maintenance and repairs to motor vehicles, used solely for business purposes, can be claimed; and

- business entertainment, namely hospitality of any kind provided in connection with a business, including the supply of meals, drinks, entertainment at clubs and the provision of recreational facilities.

## Partial exemption

If a vendor makes taxable supplies as well as exempt supplies, he may claim part of the input tax paid on his purchases. Similarly, where goods or services are used both for business and for private purposes, a vendor is only allowed a credit for input tax incurred for business use.

### Pre-registration and post-deregistration VAT

A vendor is allowed to claim input tax credit for VAT paid not more than two months prior to the date of VAT registration in respect of:

- goods held for re-supply on the date of registration; and
- a supply to or an import by the vendor prior to the date of registration of goods or services to be used in manufacturing goods for supply after the date of registration.

The claim for pre-registration VAT credit must be submitted within four years of registration and the vendor must provide details of the stock on hand, copy invoices etc. to support the claim.

## International trade

### Imports

#### Goods

VAT is payable on the importation of goods by any person into Lesotho. The VAT paid by the vendor on importation of goods for his business can be claimed as an input-tax deduction.

Goods imported from a country of the Southern African Customs Union (SACU) (i.e. Botswana, Namibia, South Africa and Swaziland) are

imported into Lesotho at the time the goods physically enter Lesotho. Goods are deemed imported into Lesotho from outside the SACU on the date when the goods are entered for use within Lesotho.

The taxable value for imported goods includes the value of any services relating to the import, such as commission, packaging, transportation, short-term insurance and warranty expenses. Where goods are imported from outside the SACU, their taxable value is the sum of the customs value of the goods imported and the customs duty payable on the goods imported. Where goods are imported from a SACU country, the value of the goods for VAT is the price charged for the goods plus freight and insurance.

If an importer is not registered for VAT or is registered but without a VAT account, VAT Officers will collect the VAT payable on the import at the time the goods physically enter Lesotho. If goods are imported by post, VAT Officers at the Post Office will collect the VAT when goods are collected from the Post Office.

Where the importer is a registered vendor or (in certain circumstances) a foreigner who has arranged a VAT Import Account, VAT is payable on the import by the 20<sup>th</sup> day of the month following the month during which the goods were imported.

Goods that would be exempt or zero-rated if supplied in Lesotho will be subject to the same VAT status when imported into Lesotho.

## Services

An imported service is a supply of services by a person in the course or furtherance of an enterprise carried on outside Lesotho where the services are for use or consumption in Lesotho. VAT is payable on the imported service by the person importing the service into Lesotho, except where a registered person imports a service to make taxable supplies.

## Exports

The exportation of goods is zero-rated (if sold directly to a business abroad), the goods are exported by or on behalf of the supplier, and the required proof of exportation is maintained. The exportation of services is zero-rated.

Refunds to foreigners are done through the South African Revenue Service.

## Place, time and value of supply

### Place of supply

A supply of goods is deemed to be made at:

- the location of the goods when allocated to a customer's order. If the goods are in Lesotho when allocated, the supply is in Lesotho, while if the goods are not in Lesotho when allocated, the supply is normally outside the scope of VAT;
- the place where the assembly or building of goods for the first time on site takes place.

A supply of services is deemed to be made at the place:

- where the supplier belongs, namely the supplier's business or other fixed establishment, including a branch or agency;
- if no such establishment exists, where a natural person usually lives or a company is legally constituted;
- in the case of establishments in more than one country, at the location of the establishment most directly concerned with the supply;
- if services are supplied wholly or partly in Lesotho, but not near the border between Lesotho and another country, the Commissioner may determine that the services are supplied in Lesotho if the supplier is registered in or operates in Lesotho;

- in the case of the supply of radio, television, telephone or other communication services, if the signal or service originates outside Lesotho, where the recipient receives the signal or service, provided a consideration is payable for receiving the service or signal.

### Time of supply

The time of supply of the goods or services determines when the liability for VAT arises. In terms of the general rule, the time of the supply is the earliest of when:

- goods are delivered or made available;
- performance of services is completed;
- an invoice for the supply is issued; or
- payment for the supply is received.

A vendor is considered to have received cash on the date that he receives the money and a cheque on the date that he receives the cheque. In the case of credit cards, payment is received on the date that a vendor makes out the sales voucher. Where a vendor takes a deposit for a supply, he must account for VAT when the deposit is received.

The specific rules can be summarised as follows:

- auctions – time is the time of the auction;
- goods taken for own use – time is the date on which the goods or services are applied for own use;
- gifts – time is the date on which ownership passes or the services are completed;
- hire purchase agreement or financial lease – time is the date of commencement of the agreement or lease;
- other periodic payments and rent – the successive supplies occur when each payment is due; and

- services – supplier of services may apply in writing to the Commissioner to defer payment of VAT until payment for the services is received.

A vendor is deemed to have made a payment on the date that he receives a VAT invoice. In relation to cheques, a vendor is deemed to have made a payment on the date that he sends the cheque or the date on the cheque, whichever is the later. In the case of credit cards, the credit card payment date is the date when the supplier makes out the sales voucher. Where a vendor makes a deposit payment that serves as an advance payment, he can claim a credit for the input tax for the payment made.

### Value of supply

The general rule is that the taxable value of a taxable supply is the consideration received for the supply. ‘Consideration’ normally means money, but it can also mean any payment made directly or indirectly to a person. This includes credits or payment in kind, or any other indirect form.

Where monetary consideration for a supply is not sufficient or where there is no monetary consideration, a fair market value is adopted, such as in the following circumstances:

- hire purchase agreements and finance leases;
- application of goods for own use; and
- supply for a reduced consideration.

## VAT compliance

### Accounting basis and tax periods

Where a vendor has adopted the cash VAT accounting system, he accounts for VAT in the VAT return for the month in which payment for a supply is received, and input tax credit is claimed after payment has been made.

Where an Invoice VAT accounting system is adopted, input tax credit may be claimed on the basis of a tax invoice showing a time of supply date that falls before the end of the return period during which the claim is lodged.

Registered businesses may apply to use the cash method if 90% or more of the taxable value relates to services, such as accountants, lawyers and hotels, and certain other requirements are met.

### Returns and payment of VAT

A VAT return form must be completed for every tax period (a period of one calendar month) and sent to the Department of VAT accompanied by the tax remittance, within 20 days after the end of the month.

### Interest and penalties

Where a return is filed late, the vendor is liable for additional tax calculated at 3% of the outstanding VAT per month or part thereof. The interest is compounded.

### Refunds

Where a vendor has overpaid VAT for any tax period, he has the option to either:

- set off the excess against any outstanding liability relating to an earlier period; or
- carry forward the excess, and apply for a refund in respect of each calendar quarter, ending on 31 March, 30 June, 30 September and 31 December.

Any repayment due must first be set off against any other tax arrears. Where a vendor can satisfy the LRA that excess credits are a feature of his business activities, the quarterly rule may be waived and the vendor allowed to make monthly refund claims, or whenever a credit arises.

### Objections and appeal

A person who is dissatisfied with an assessment may file an objection

with the Commissioner within 30 days after the notice of assessment. After considering the objection, the Commissioner may allow the objection in whole or part, or disallow the objection. The Commissioner must serve the person objecting with notice of the objection decision. If the Commissioner has not made an objection decision within 60 days, the Commissioner is deemed to have made a decision to disallow the objection.

A person dissatisfied with an objection decision may, within 30 days, appeal to the Tribunal. A party to a proceeding before the Tribunal who is dissatisfied with the decision of the Tribunal may, within 30 days, appeal to the High Court. A party to a proceeding before the High Court may, with special leave of the Court of Appeal, appeal the decision of the High Court to the Court of Appeal.

## VAT records

### VAT invoices

A registered vendor must issue a VAT invoice in respect of a taxable supply to a taxable vendor in the same month that the goods or services are supplied. A VAT invoice must contain the following details:

- the words ‘Value-Added Tax invoice’ or ‘VAT invoice’;
- the vendor’s commercial name, address, place of business and VAT registration number;
- individual invoice number;
- the commercial name, postal address, place of business and VAT registration number of a vendor recipient;
- date of issuing the VAT invoice;
- brief description (including quantity or volume) of the goods or services supplied; and
- the selling price, excluding VAT and any discount, the total amount of the VAT charged, and the selling price including VAT; or

- the total charge on the invoice inclusive of VAT, any discount and the rate of VAT.

### **Credit notes and debit notes**

Credit notes may be issued where the VAT disclosed on an issued VAT invoice exceeds the correct amount chargeable. The credit note must contain the following information:

- the words 'Credit Note' in a prominent place;
- the vendor's commercial name, place of business, VAT and TIN registration number;
- the commercial name, place of business, VAT and TIN registration number of the recipient;
- the date the credit note is issued;
- brief explanation of the circumstances that gave rise to the issue of the credit note;
- sufficient information to identify the taxable supply to which the credit note relates; and
- the taxable value of the supply shown on the VAT invoice, the correct taxable value, the difference between the two amounts and the VAT relating to the difference (that is, the VAT overcharged).

Other than the fact that the words 'Debit note' must appear in a prominent place, the information to be disclosed in a debit note is similar to the information required in a credit note. The additional VAT amount in a debit note is due for payment in the period in which the additional liability arises.

### **Additional export documentation**

The required proof of exportation includes:

- commercial invoices;
- certified copies of the documents presented to Lesotho Customs at exportation;

- certified copies of customs import documents of the country of destination; and

- proof of payment (settlement) if applicable.

### **Record-keeping**

A vendor must keep record of all the supplies made and supplies received, including zero-rated supplies, and a summary of VAT for each month. The VAT summary is referred to as the vendor's VAT account. A separate record must be maintained for any exempt supplies made by a vendor.

If a vendor sells directly to the public he does not need to issue a VAT invoice unless the customer asks for one, but must make a summary of his sales, showing separate totals for:

- VAT on the sales;
- value of the sales before VAT;
- total of all exempt sales;
- VAT on certain postal imports and imported services; and
- credits allowed to customers.

A vendor must keep a summary of supplier invoices received, showing separate totals for:

- VAT paid on purchases in Lesotho;
- value of the purchases before VAT;
- VAT paid on imported supplies; and
- credits received from suppliers.

Record must also be kept (for a period of six years) of:

- goods given away or taken from stock for employees' or private use;
- business purchases on which input tax is denied;
- Customs documents showing the import entry and the VAT receipt; and
- business records.

## **Specific VAT rules**

### **Bad debts**

VAT paid to the LRA by a taxpayer in respect of a taxable supply, but not received from an insolvent customer, is allowed as a credit, where the whole consideration for the supply is subsequently treated as a bad debt. The credit arises on the later of:

- the date on which the bad debt was written off in the accounts of the vendor; or
- 12 months after the end of the tax period in which the VAT was paid on the supply.

A supplier who wants to claim relief for bad debt must:

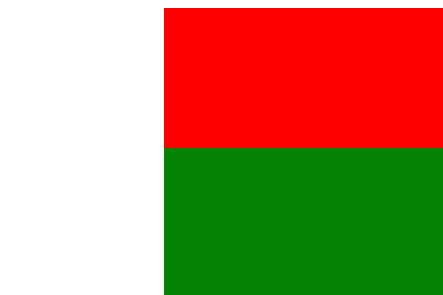
- make a claim to the administrator, receiver or liquidator against his debtor for the VAT-inclusive amount that he is owed by the insolvent debtor; and
- obtain a written statement from the administrator, receiver or liquidator that the debtor is insolvent and cannot pay the debt.

Where any amount on which a credit has been allowed is subsequently wholly or partly recovered by the vendor, the vendor must account for output tax on that amount.

### **Second-hand goods**

Where second-hand domestic items are bought for resale from a person who is not a vendor, the taxable value of the re-supply of these items is the difference between the price paid on acquiring the goods and the amount received for their resale. VAT is thus only levied on the profit made and not the total consideration received.

# Madagascar



## Introduction

VAT was introduced in Madagascar in 1994. It is referred to locally as ‘Taxe sur la Valeur Ajoutée’ (TVA). It is a tax on turnover. The tax law is amended every year. The information contained here applies to the fiscal year ending 31 December 2013.

## Rates and scope

The standard rate of VAT is 20%. The rate of 0% is applicable to exports of goods and services.

VAT is applicable to all transactions related to goods and services performed in Madagascar by a legal entity, or by an individual business with a turnover equal to or more than 200 000 000 Ariary (approximately USD 100 000). VAT is generally chargeable on:

- Supplies of goods and services made in Madagascar by a taxpayer in the course of its business;
- Importation of goods and certain services into Madagascar; and
- Execution of buildings and civil works.

## VAT registration

### Tax identification number

All new businesses must get a tax identification number and a tax card, or ‘Carte fiscal’, at the time of incorporation. Such tax identification number automatically covers VAT registration, if applicable. The ‘Carte Fiscal’ must be renewed every year.

### Compulsory registration

Any company (legal entity) or individual business which makes supplies of goods and services and realises an annual gross revenue of 200 000 000 Ariary or more is in general subject to VAT.

### Voluntary registration

Businesses realising a turnover below the annual statutory threshold above are not subject to VAT. However, it is possible to register for VAT voluntarily even if the value of a business’s taxable supplies does not exceed the statutory threshold, after getting authorisation from the Ministry of Finances. Such option is definitive.

### Group and branch registration

Each independent legal entity has to get its own tax identification number and ‘Carte Fiscal’ and perform its own VAT compliances and obligations. VAT grouping is not permitted.

A branch of a company registered under Malagasy law has the same tax identification number as the main company. A branch of a foreign company has to get a tax identification number and ‘Carte Fiscal’ for the purpose of tax compliance obligations, including VAT obligations. In any case, a foreign company must register or open a branch if it wants to be established in Madagascar.

### Non-residents

Any services realised/performed in Madagascar are subject to VAT. Services are considered to be realised/performed in Madagascar if such services are used or enjoyed in Madagascar. A foreign services supplier that is not registered in Madagascar has to appoint a tax representative to collect and pay VAT on its behalf. In the absence of such tax representative, the recipient is liable to account for VAT on behalf of the foreign supplier.



## Contact details – PwC, Madagascar

Physical address		Telephone numbers
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PwC contact persons	Designation	Contact details
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Andriamisa Ravelomanana (Ami)	Senior Manager	andriamisa.ravelomanana@mg.pwc.com Tel: +261 20 22 217 63 Mobile: +261 32 07 005 24

The taxpayer or the tax representative must have a bank account in Madagascar for VAT payment purposes.

### Application for registration

There is no separate VAT registration procedure as distinct from general tax registration in Madagascar. In practice, registration is completed on incorporation, but the 'Carte Fiscal' has to be renewed every year.

A foreign business that does not have or is not required to have a local branch has to appoint a fiscal representative in Madagascar, which can be the recipient.

### Deregistration

VAT deregistration is not possible, as the option for VAT taxpayer status is definitive. Tax deregistration occurs with the winding up or liquidation of a business.

## Output tax

### Calculation of output tax

In the absence of further information, prices are supposed to be inclusive of VAT. In any case, supplier invoices should mention clearly the amount of VAT in order to allow the recipient to deduct VAT input tax. Any payment between two VAT taxpayers must be executed by way of bank transaction (bank cheque or bank card or also mobile banking).

Output tax is calculated on:

- CIF value, including all costs and taxes other than VAT, in respect of importation;
- Taxable amount, including all costs and taxes other than VAT, for goods and services;
- Value of services and goods self-delivered by a taxpayer; and
- Amount of invoices or partial payment for civil works.

### Exempt supplies

The following supplies fall mainly outside the scope of the VAT system:

- Sale of tickets for sports events organised by non-professional clubs;
- Scholarships for technical, professional and general studies;
- Interest paid to the Public Treasury ('Trésor'), banks and financial institutions;
- Medicines and health services;
- Sports materials and equipment for public use;
- Materials for the production of renewable energy;
- International transportation; and
- Delivery to foreign diplomatic representatives, on condition of reciprocity.

The following operations also fall mainly outside the scope of the VAT system:

- Salaries;
- Operations of the Central Bank of Madagascar; and
- Operations of the ‘Caisse d’Épargne’.

### **Zero-rated supplies**

The zero rate is applicable only to the exportation of goods and services. The VAT law does, however, not contain a definition of ‘exportation of services’.

## **Input tax**

### **Input tax allowed**

In general, input tax is allowed on the following:

- VAT paid on invoices related to non-exempted goods and services, and required for normal operations of the taxpayer, on condition that the invoice mentions the tax identification number of the supplier;
- VAT paid on the importation of goods required for normal operations of the taxpayer; and
- Generally, VAT paid on taxable operations.

### **Input tax expressly denied**

Restrictions apply to the recovery of input VAT incurred on the purchase of the following:

- Buildings other than for industrial, artisan, trading, hotel, restaurant, agriculture and mining activities;
- Personal motor vehicles, except for hiring;
- Restaurant expenses;
- Fixtures and fittings; and
- Domestic supplies of energy and some petroleum products such as car fuel, except those that are used for fixed equipment and installation.

### **Partial exemption**

Input VAT can only be recovered to the extent that it is attributable to the registered business’s taxable activity. When a business makes a mixed supply of taxable and exempt supplies, only the input VAT attributable to the taxable supplies is fully recoverable. Where the input VAT is attributable to both taxable and exempt supplies, only a proportion calculated on the basis of taxable turnover as a proportion of total turnover is recoverable.

### **Adjustments**

Adjustments are required when taxable goods are sold at a lower value than the net value.

When an apportionment is applicable, the taxpayer calculates the input tax according to a provisory proportion based on available information for previous years regarding taxable supplies compared to total supplies. After calculation of the final proportion, an adjustment must be made to ensure that input tax for a year corresponds to the proportion of taxable turnover compared to total turnover for such year.

## **International trade**

### **Imports**

Import VAT is due on the importation of goods into Madagascar. VAT is payable to the Customs department. The rate of import VAT is the same rate that applies to a domestic supply of goods. It is payable on the value of the goods, including cost, insurance and freight (‘CIF’) and duty. VAT incurred on the importation of goods into Madagascar may be recovered by a registered business as input VAT. The receipt issued by Customs at the time of import constitutes appropriate evidence of VAT payment.

There is no definition of imported services. Services are regarded as being performed in Madagascar (and thus subject to VAT) when they are executed in Madagascar or used by a recipient or the recipient is a taxpayer established in Madagascar. Even if the supplier of the services is not registered for VAT in Madagascar, the reverse-charge procedure applies. In that case, the recipient will be liable to account for VAT on the supply.

### **Exports**

Goods that are exported from Madagascar are zero-rated. In order to qualify for input tax credit, the taxpayer must issue valid commercial invoices and retain evidence of export.

The VAT law does not provide for when services are regarded as being exported. The fact that the recipient is established abroad does not necessarily result in zero-rating of the service. Currently, the Tax Administration accepts that exported services include those services eligible under the free zone company regime, which are mainly quality control, data-processing, call centre and cinematographic services. All other services performed by local suppliers are subject to VAT.

There is no mechanism to allow foreigners who are not tax registered in Madagascar to obtain a refund of VAT paid.

## **Place, time and value of supply**

### **Place of supply**

VAT is applicable to all goods delivered in Madagascar, or all services performed in Madagascar. Services are considered to be performed in Madagascar when they are executed in Madagascar or invoiced to a recipient established in Madagascar.

### Time of supply

VAT is payable at the time of clearing in the case of importation, or at the time of delivery of goods for local purchase, or at the time of payment for services.

### Value of supply

VAT is payable on the CIF value of imported goods, or on the cost or price of a transaction for services and local transactions in respect of goods.

## VAT compliance

### Accounting basis and tax periods

VAT returns and VAT payments related to operations performed during a month must be filed and done no later than 15 days after the following month. Periodical VAT filing is compulsory even if no VAT is payable.

VAT payable is the difference between VAT output and VAT input recorded during a period (monthly). Only VAT input on an invoice showing the VAT collected by the supplier and the tax identification number of the supplier can be credited against VAT output.

If VAT output is not sufficient in order to offset VAT input, then the difference constitutes a VAT credit. A VAT credit can be carried forward for an undetermined period.

### Returns and payment of VAT

Returns and payments of VAT must be filed at the territorially competent tax office, no later than the 15th day of the following month. VAT must be paid via bank transfer.

### Interest and penalty

The penalty ranges depend on the nature of the default:

- 80% of the tax due for no submission of a VAT return, and under-declarations of VAT;

- 100% of the amount of the transaction for non-payment by bank transaction in case of a transaction between two VAT taxpayers;
- 150% of the tax due for sale without regular invoice;
- 150% of the amount of the invoice in the case of fictive invoice;
- 80% to 150% in the case of opposition to a tax verification; or
- 1% per month of the tax due for late payment of VAT due, plus 100 000 Ariary.

Criminal penalties may also be imposed. Penalties can be mitigated in certain circumstances.

If no VAT is payable, only a penalty of 100 000 Ariary is applicable in the case of late filing.

### Refunds

Free-zone enterprises and qualified exporters may obtain a VAT refund of a VAT credit that is directly attributable to their export activities. Normal companies with a VAT credit of more than 20 000 000 Ariary due to significant investments are also entitled to claim for a VAT refund.

An application for a refund must be submitted at the same time that the periodical VAT return is filed.

### Objections and appeals

A tax inspector has three years from the date of filing to challenge, by way of notice, a VAT declaration submitted by the taxpayer. The taxpayer has 30 days from such notice to provide further explanation or information.

In the case of a dispute, the taxpayer can appeal to the Director of Tax and the Minister of Finances. If the dispute cannot be settled at this stage, the final recourse is the administrative court.

### Time limits

The prescription period for output tax and claims by the Tax Administration is three years. The maximum period for the claiming of input tax is six months. An invoice can only be cancelled within six months from the date of issue.

## VAT records

### Tax invoices

A proper tax invoice must be prepared in two copies and include the following information:

- Date of issue;
- Signature of the supplier;
- Numbering;
- Name and identification of the supplier and the recipient;
- Statistical identification of the supplier and the recipient;
- Tax identification numbers of the supplier and the recipient;
- Quantity, unit price and total price of the goods or the services;
- Due date for the payment of the invoice; and
- Manner of payment.

### Credit notes and debit notes

Credit notes and debit notes are not regulated by the tax law but result from accounting practice. These credit notes and debit notes are assimilated by the Tax Administration as invoice, invoice cancellation or disbursement, depending on the nature of the concerned operation. A disbursement re-invoiced at real cost is not subject to VAT.

### **Additional export documentation**

Exportation must be substantiated by the following documents:

- Export invoice;
- Commitment to repatriate foreign currency ('engagement de rapatriement de devises'); and
- Evidence of shipping or air transportation ('attestation d'embarquement').

### **Record-keeping**

All evidence, commercial, tax and accounting documentation should be kept at the company's head office or at the company's main establishment in the case of a branch. The taxpayer should be able to provide the originals in the case of an audit. Documentation must be retained for 10 years. Electronic files and scanned copies cannot be submitted to the Tax Administration.

### **Specific VAT rules**

#### **Bad debts**

There is no special VAT provision in the tax law regarding bad debts. Therefore, the general rule is applicable, which means that in the case of transactions involving goods, VAT is due at the time of delivery of the goods independently of the debt situation, while, in the case of transactions involving services, VAT is due at the time of payment for the services. If no payment is made, no liability for VAT arises.

#### **Land and buildings**

There is no special provision regarding land and buildings. Land and building transactions (rent or sale) are subject to VAT as long as they are performed by VAT taxpayers (a legal company or professional individual). Land and building transactions by non-professional individuals are not subject to VAT.

### **Promotional gifts**

No special provisions apply. In any case, VAT output tax cannot be less than VAT applicable on the goods' net book value.

### **Tourism industry**

No special rules apply. The general rule is applicable with the exception that the Tax Administration accepts the calculation of VAT output tax on the company margin per operation.

### **Transfer of a business**

Transfer of a business by cession of assets is subject to VAT. Transfer of a business by cession of shares is not subject to VAT. Transfer of a business by merging or assimilated operation is not subject to VAT.

### **Warranty repairs**

No special rules apply. Goods imported and services rendered to foreign companies are subject to VAT. The importation of goods for the purpose of identical exchange is not subject to VAT. The importation of goods after exportation for repair is not subject to VAT.

### **Other indirect taxes**

#### **Import duty**

Import duty is applicable on the importation of goods. The rates vary from 0% to 20%.

#### **Excise duty**

Excise duty is applicable on the collection, extraction, fabrication, preparation or importation of goods and services as provided each year by the tax law, on, for example, wine, beer, other fermented drinks, alcohol, whiskies and rum, tobacco, cigarettes and cigars and phone communication. The rates vary from 7% to 250%.

### **Tax on transfer**

A withholding tax (income tax for non-residents), at a rate of 10%, applies to any transfer of revenue from Madagascar to abroad in remuneration of services performed by foreign entities.

### **Stamp duty**

Since August 2008, no stamp duty is applicable.

### **Royalties**

Manufactured cigarettes, matches, farinas, mobile communication, paid television emission, traditional alcohol drinks and sugar are subject to royalties.

### **Special tax and duty**

Alcoholic drinks, cigarettes and gambling games are subject to special tax and duty.





# Malawi



## Introduction

VAT was introduced in Malawi on 1 October 2002 to replace Surtax.

The VAT authority is the Malawi Revenue Authority. The head of VAT administration is the Commissioner-General.

## Rates and scope

VAT is levied at the standard rate of 16,5%. Zero-rated items are charged at 0%. Exempt items are not subject to VAT.

VAT is charged on the supply of taxable goods and services. Certain listed exempt supplies and relief supplies fall outside the scope of the VAT system.

## VAT registration

### Compulsory registration

A person must be registered as a taxable person if he or she makes taxable supplies of goods or services and has a business turnover that equals or exceeds, in Malawian Kwacha (MWK), MK10 million (approximately USD24 000) per annum, or has reason to believe that the turnover threshold will be met.

### Voluntary registration

Any business with a turnover below the registration threshold amount may apply for voluntary registration, and the Commissioner-General may notify the proprietor in writing and register any class or category of business specified in the notice.

### Group registration

A group of taxable persons may, with the approval of the Commissioner-General, be treated as one designated taxable person for VAT purposes.

### Non-residents

Non-residents do not qualify for VAT registration.

### Application for registration

Any person who qualifies as a taxable person or has grounds to believe that he will qualify as a taxable person must apply to the Commissioner-General for registration as a taxable person.

### Deregistration

A taxable person must apply in writing for deregistration within 30 days of ceasing to carry on business in relation to which a registration is made. Any deregistration will take effect from the end of the tax period in which the registration is cancelled.

The registration of a taxable person will be cancelled where the Commissioner-General is satisfied that the registered person no longer exists. A registered person may also apply for deregistration when it no longer meets the requirements for registration.

### Output tax

Prices are normally quoted inclusive of VAT. The output tax is calculated at 16,5% of the value of the taxable supply of the goods, services or import.

### Exempt supplies

Exempt supplies include specific items such as:

- Live animals;
- Certain animal products;
- Vegetable products in a raw state;
- Water, non-mineral water or aerated water without additives;



## Contact details – PwC, Malawi

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PwC contact persons	Designation	E-mail address
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Misheck Msiska	Senior Manager	<a href="mailto:misheck.msiska@mw.pwc.com">misheck.msiska@mw.pwc.com</a>

- Printed matter – books and newspapers;
  - Petroleum products;
  - Vehicles, other than railways, train way rolling stock;
  - Coin;
  - Appliances (whether or not hand operated) for projecting, dispersing or spraying liquids or powders;
  - Medical equipment;
  - Education services;
  - Banking and life insurance services;
  - Postal services;
  - Funeral services;
  - Medical services;
  - Transport of exports;
  - Rentals and sale of property used for residential purposes;
  - Ordinary bread;
  - Betting and gaming;
  - Rail locomotives and spare parts; and
  - Medical, surgical and laboratory sterilizers.
- Some exempt items are defined by reference to specific customs tariff headings. Reference should be made to the actual customs tariff headings to determine the extent of the exemption of a particular item.
- Zero-rated supplies**
- Zero-rated supplies include, but are not limited to:
- Exports of goods and services;
  - Goods shipped as stores on aircraft and vessels leaving the territory of Malawi;
  - Fertilisers;
  - Sheath contraceptives;
  - Exercise books;
  - Laundry soap;
  - Salt;
  - Certain agricultural, horticultural, forestry and harvesting machinery;
  - Motor vehicles for transport of goods;
  - Pharmaceutical products;
  - Buses with a seating capacity of 45 or more persons, including the driver;
  - Military equipment;
  - Building materials for factories and adjoining warehouses;
  - Goods for use in tourism;
  - Miscellaneous chemical products;
  - Cycle ambulances;
  - Motor cycle ambulances;
  - Syringe with or without needles; and
  - Mosquito and sand fly nets.

Zero-rated items, other than exports of goods and services and goods shipped as stores on aircraft and vessels leaving the territory of Malawi, are defined by reference to specific customs tariff headings and customs procedure codes. Reference should be made to the actual customs tariff headings and customs procedure codes to determine whether an item is zero-rated.

## Input tax

### Deductible input tax

A taxable person may deduct from the output tax due for a taxable period VAT on goods and services purchased in Malawi or goods and services imported and used wholly, exclusively and necessarily in the course of business. The maximum period for claiming input tax is 12 months from the date on which the deduction accrued.

### Input tax expressly denied

Input tax is not claimable:

- Where it relates to exempt supplies by the taxable person;
- After the expiration of 12 months from the date on which the right to the deduction accrued;
- In respect of motor vehicles or motor vehicle spare parts, unless the taxable person is in the business of dealing in or hiring of motor vehicles or selling motor vehicle spare parts. However, motor vehicles and motor vehicle spare parts used wholly, exclusively and necessarily for the business qualify for input tax deduction;
- In respect of entertainment, including restaurant meals and hotel expenses, unless the taxable person is in the business of providing entertainment; and
- In respect of the personal element, where the purchase is partly for business and partly for personal or other use.

The Minister may prescribe other classes, types or description of goods and services on which input tax is not deductible.

During Malawi Revenue Authority tax audits, input tax claimed is sometimes disallowed and penalties charged on transactions such as residential property expenses incurred by employers and security costs at residential properties. The VAT Act does not exclude the claiming of such input tax and no order has been gazetted. If a taxpayer receives a claim for the recovery of input tax incorrectly claimed, and the expense does not fall within the categories above, the taxpayer is advised to request a copy of the relevant Gazette. If no Gazette is produced, the taxpayer may consider following the appeal procedures.

### Partial exemption

Where a taxable person makes both taxable and exempt supplies, but cannot directly attribute the input tax to the taxable or exempt supplies, the taxpayer may deduct as input tax an amount that bears the same ratio to the total VAT incurred as the taxable supplies bear to the total supplies, applying an apportionment formula where:

- The numerator is the total amount of input tax for the period multiplied by the total amount of taxable supplies made by the taxable person during the period; and
- The denominator is the total amount of all supplies made by the taxable person during the period.

If taxable supplies amount to less than 5% of total supplies, the taxpayer may not claim any input tax for the period. If taxable supplies amount to more than 95% of total supplies, the taxpayer may claim all input tax for the period.

### Pre-registration VAT

A taxable person who is registered from a specified effective date and who has in stock on the effective date goods on which VAT has been paid may claim a credit or refund of VAT, provided that:

- The supply or input occurred not more than four months prior to the date of registration; and
- In the case of capital goods, the goods have been held for a period not exceeding six months from the date of registration.

### Post-deregistration VAT

A taxable person whose registration has been cancelled is regarded as having made a taxable supply of all goods on hand (including capital goods) and will be liable for output tax, at the time of deregistration, on all goods in respect of which he or she received input tax credit. The output tax payable is based on the open market value of the goods at the time of deregistration.

## International trade

### Imports

VAT is payable, by the importer, on the importation of goods. VAT is also payable, by the importer, on the importation of services.

### Exports

The export of goods and services is zero-rated for VAT. If exports exceed 70% of the taxpayer's total supplies, the Commissioner-General may refund the excess input tax within the accounting period, although refunds are, in practice, difficult to obtain. There is no specific provision regarding refunds to foreigners.

## Place, time and value of supply

### Place of supply

The place of supply of goods is the place from which the goods are supplied. The place of supply of a service is the place of business of the supplier or the place from which the service is supplied or rendered.

### Time of supply

A supply of goods or services occurs:

- Where goods are appropriated to own use, the date on which the goods or services are first applied to own use; or
- Where the goods or services are supplied by way of gift, the date on which ownership in the goods passes or the performance of the services is completed.

In any other case the time is the earliest of the date on which:

- Goods are removed from the taxable person;
- Goods are made available to the person to whom they are supplied;
- The services are supplied or rendered;
- Payment is received; or
- The tax invoice is issued.

### Value of supply

The value of a supply is:

- Where the supply is for monetary consideration, the amount of the consideration with the addition of all duties and taxes, but excluding VAT; or
- Where the supply is not for monetary consideration or is only partly for monetary consideration, the open market value of a similar supply excluding VAT.

## VAT compliance

### Returns and payment of VAT

A taxable person must account for VAT on a prescribed form not later than the 25th day of the month immediately following the month to which the return relates. The VAT return is in a prescribed form and states the amount of VAT payable for the tax period, the amount of input tax credit or refund claimed, and such other matters as may be prescribed.

### Interest and penalties

A person who fails to submit to the Commissioner-General a return on the due date is liable to a penalty of MK20 000 and a further penalty of MK1 000 for each day that the return is not submitted.

Late payment of VAT incurs penalties of 15% of the amount not paid and a further sum of 5% per month or part thereof for the period during which the amount remains unpaid.

The interest can be waived at the discretion of the Commissioner-General in the event of voluntary disclosure.

There is no interest on delayed refunds by the revenue authority.

### Refunds

A refund claim may be made if the return for three consecutive months shows that a refund is due. Such refunds must be made within 30 days of receipt of the application for refund. In practice it is very difficult to obtain a refund of VAT, and claims remain outstanding for some time, generally up to six months. In practice, the VAT refund can be used to settle other tax liabilities.

If exports exceed 70% of the taxpayer's total supplies, the Commissioner-General may refund the excess input tax within the accounting period. However, exporters suffer the same problems in obtaining the actual refund as other business entities.

## Objections and appeals

A person dissatisfied with the decision of an officer other than the Commissioner-General may appeal to the Commissioner-General within 30 days of the notice of the decision being served on the taxpayer or the taxpayer becoming aware of the decision. The appeal must be in writing, detailing the grounds of the appeal and supported by relevant supporting documents. The Commissioner-General must decide on the appeal within 30 days of receipt of the appeal.

A person dissatisfied with the decision of the Commissioner-General may appeal to any court of a Resident Magistrate. The appeal must be lodged within 30 days of notification of the Commissioner-General's decision. Unless given leave by the Court, no appeal will be heard unless all returns due have been submitted and all VAT assessed or due has been paid.

The VAT Act does not specify any appeal procedures where the taxpayer is dissatisfied with the Resident Magistrate's decision. In such an event, taxpayers are advised to obtain immediate legal advice.

## VAT records

### Tax invoices

A proper tax invoice should include:

- Name and address of supplier;
- Name and address of customer;
- Tax registration number;
- Description of supply; and
- The rate of VAT.

The VAT Act provides that a registered VAT taxpayer must issue tax invoices generated by an electronic fiscal register (however, the measure is yet to be implemented). While there are no specific rules regarding the language on tax invoices, English is normal for business transactions.

Prices are often quoted in foreign exchange, with the amount being payable in Malawian Kwacha (MWK).

A tax invoice may be issued by the supplier (principal) or the agent, but the supplier retains responsibility.

#### **Credit notes and debit notes**

The original tax invoice may be incorrect where:

- The supply is cancelled;
- The nature of the supply was fundamentally varied or altered;
- The previously agreed consideration for the supply has been altered by agreement with the recipient of the supply; or
- Goods or services or part thereof have been returned.

Where a tax invoice has been issued and the amount shown as VAT charged on the tax invoice exceeds the VAT properly chargeable, the taxable person making the supply must issue a credit note to the recipient of the supply.

Where a tax invoice has been issued and the VAT properly chargeable exceeds the amount shown as VAT charged on the tax invoice, the taxable person making the supply must issue a debit note to the recipient of the supply.

#### **Record-keeping**

Every taxable person is required to keep such records and books of accounts as the Minister may prescribe. These records and books of account must be produced at such place and time as the Commissioner-General may require. They may be kept in electronic or scanned format, but original documents may be required at the request of the authorities.

The records must demonstrate adequately the completeness of supplies and accuracy of related VAT, the entitlement to claim VAT and the accuracy of any VAT claimed.

The records and books may not be destroyed within a period of less than six years. They may be kept outside Malawi, as long as they can be produced in Malawi when necessary.

#### **Specific VAT rules**

##### **Bad debts**

VAT relief on bad debts may be claimed if the supplier has obtained a court judgement for the debt or can show that all legal means of pursuing the debt have been exhausted.

##### **Land and buildings**

VAT is not chargeable on the sale or rental of residential property. VAT is chargeable on the sale or rental of non-residential property.

##### **Leasing**

Leasing or letting of goods on hire is subject to VAT.

##### **Second-hand goods**

The supply of second-hand goods is subject to VAT if supplied by a taxable person. Exports of second-hand goods are zero-rated. Input tax may be claimed on the acquisition of second-hand goods.

##### **Tourism industry**

Designated shops or outlets are accorded tax-exempt status, e.g. duty-free shops at airports. There are no other exemptions for tourism.

##### **Transfer of a business**

The authorities have to be notified within 30 days of cessation, sale, change of location, material change in the business or material change in ownership.

#### **Warranty repairs**

VAT is charged on the importation of goods. Services rendered to a foreign company are taxable unless the supply is a zero-rated export.

#### **Other indirect taxes**

##### **Import duty**

Import duty is applicable at various rates, depending on the nature and the source of the item.

##### **Excise duty**

Excise duty applies to qualifying goods produced and manufactured in Malawi and qualifying goods imported into Malawi.

##### **Conveyancing**

Conveyancing applies to land and buildings situated in Malawi.

##### **Stamp duty**

Stamp duty is charged at 3% on absolute conveyance or vesting of real property or agreement for sale. Other rates apply depending on the nature of the matter. The transfer of shares is not subject to stamp duty.





# Mauritius



## Introduction

VAT was introduced in Mauritius with effect from 7 September 1998, to replace the Sales Tax Act 1982. VAT is levied in terms of the VAT Act, 1998 and the VAT authority is the Mauritius Revenue Authority (MRA).

## Rates and scope

The standard rate of VAT is 15% and it applies to all supplies of goods and services not qualifying for an exemption or zero-rating. There is no higher or reduced VAT rate.

VAT is charged on any supply of goods or services made in the Republic of Mauritius, where it is a taxable supply made by a person who is registered or should be registered for VAT purposes, in the course or furtherance of any business carried on by him. The importation of goods by any person is also liable to VAT.

VAT is applicable to the whole territory of the Republic of Mauritius, which includes the Island of Rodrigues.

## VAT registration

### Compulsory registration

VAT registration is compulsory where the taxable annual turnover has exceeded (in Mauritian Rupee/MUR) MUR4 million (approximately USD133 333).

There is no registration threshold for certain businesses and professions, e.g. domestic banks, insurance agents/brokers, management

companies, lawyers, accountants and consultants.

A person making exclusively zero-rated supplies or zero-rated supplies and exempt supplies has no obligation to register for VAT purposes.

### Voluntary registration

A person making taxable supplies may register voluntarily provided that he can satisfy the VAT authorities that he keeps and maintains proper business records of his business. He must also satisfy the VAT authorities that he has been discharging his obligations under the revenue laws.

### Group or branch registration

Group registration is not allowed in Mauritius. A branch of a foreign company is only required to register for VAT purposes in Mauritius if its turnover exceeds the threshold requirements and it is involved in taxable supplies.

### Non-residents

A non-resident business is only required to register if it has a permanent establishment in Mauritius and the registration threshold has been exceeded. Non-resident businesses may register in their own name and may appoint a local representative for the purpose of filing VAT returns and dealing with related matters.

### Application for registration

A registration form needs to be completed and submitted by the business to the MRA. The registration number of a resident and a non-resident business contains eight digits: VAT 99999999.

The penalty for late compulsory registration, or failure to register, is USD167 (MUR5 000) per month or part of the month but limited to USD1 667 (MUR50 000).



## Contact details – PwC, Mauritius

**Website:** [www.pwc.com/mu](http://www.pwc.com/mu)

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Ramesh Doma	Senior Manager	<a href="mailto:ramesh.domah@mu.pwc.com">ramesh.domah@mu.pwc.com</a>

### Deregistration

A registered person, whether resident or non-resident, who has ceased to carry on a business may apply for deregistration. On deregistration the person should cease to present himself as a registered person, submit a final return and pay all tax due, including tax due on any goods forming part of the assets of the business (other than motor cars or other vehicles with a seating capacity not exceeding nine persons including the driver, motorcycles and mopeds, for own use or consumption, and their spare parts and accessories) and immediately return his certificate of registration and all copies.

### Output tax

Prices must be advertised inclusive of VAT. If prices are shown exclusive of VAT, this must be stated clearly. Only a VAT-registered person is allowed to charge output VAT on his taxable supplies.

### Exempt supplies

Exempt supplies include, but are not limited to, the following:

- Basic food items;
- Supplies of ships and aircraft and aircraft leasing;
- Educational and health services;
- Public transport;
- Financial services, including general domestic banking services, but excluding services in respect of credit and debit cards, safe deposit lockers and the keeping of customers' accounts; and
- Insurance services (i.e. the arrangement, provision, or transfer of ownership of any contract of insurance or re-insurance under the Insurance Act).

### Zero-rated supplies

Zero-rated supplies include, but are not limited to:

- Goods exported under customs control;
- Certain food items such as rice, edible oil, wheat flour, butter and sugar;
- Pharmaceutical products;
- The transport of passengers and goods by sea or air;
- Kerosene, including kerosene-type jet fuel;
- The supply of goods or services other than exempt supplies to the free-port zone;
- The supply of services to a person who resides in a country other than Mauritius;

- The supply of services by management companies to companies holding a Category 1 or Category 2 Global Business License (GBL1 and GBL2 companies); and
- The supply of services by a bank in respect of its banking transactions with non-residents and GBL1 and GBL2 companies.

## Input tax

### Input tax allowed

Input VAT which is related to taxable supplies is generally deductible, while VAT incurred for purposes of exempt supplies cannot be deducted.

### Input tax expressly denied

The following supplies are specifically denied input VAT deduction:

- Motor cars, including vehicles for the transport of not more than nine persons including the driver, and motor cycles, for own use, including rental, lease or repair;
- Hotel accommodation or lodging;
- Catering services;
- Entertainment;
- Petroleum oil (except for resale and if used in stationary engines) and petroleum gas used for running motor cars and motor cycles;
- Goods and services used by banks for providing banking services other than to non-residents and GBL1 and GBL2 companies or services provided by banks; and
- Services provided by companies other than banks in respect of credit cards, and goods and services used by such companies for providing those services.

### Partial exemption

If goods and services are used to make both taxable and exempt supplies, input tax is deductible proportionally.

## Adjustments

Where credit for any input tax has not been taken in the taxable period in which it ought to have been taken, a registered person may take such credit within a period of 24 months of the date the input tax ought to have been taken.

The amount of any input tax or output tax can be adjusted to take into account any debit note or credit note or a bad debt.

### Pre-registration and post-deregistration VAT

The deduction is allowed to a person in respect of input VAT incurred by him on his trading stocks and capital goods (being plant and machinery or equipment of a capital nature) held by him on the date immediately preceding the date of his registration, provided that:

- He submits an inventory duly certified by a qualified auditor of his trading stocks and his capital goods on the date immediately preceding the date of his registration;
- The goods forming part of his trading stocks and capital goods were acquired within a period not exceeding three months immediately preceding the date of his registration; and
- VAT paid is duly supported by VAT invoices or customs import declarations.

## Place, time and value of supply

### Place of supply

VAT should be imposed on any taxable supply of goods made in Mauritius or a taxable supply of services performed or utilised in Mauritius by any taxable person in the course or furtherance of his business.

## Time of supply

A supply of goods or services is deemed to take place at the time an invoice is issued or at the time payment for the supply is received by the supplier, whichever is the earlier.

In the case of a hire purchase or finance lease agreement, the supply is deemed to take place at the time the agreement is made.

In the case of any other lease agreement, the time of supply is the earlier of the time at which an invoice or VAT invoice is issued by the supplier or the time at which payment is received by the supplier.

### Value of supply

If the supply is for a consideration in money, its value is the amount which, with the addition of the VAT chargeable, is equal to the consideration. In the case of imported goods, the value is the sum of the customs value of the goods and the customs duty and excise duty payable on the goods, the MID levy, the CO2 levy and the levy on energy consumption.

The value of any taxable supply has to be expressed in Mauritius currency (i.e. MUR).

## VAT compliance

### Tax periods

Tax periods of one month each apply when the annual turnover of taxable supplies exceeds MUR10 million (approximately USD333 000). Tax periods of three months apply when the annual turnover of taxable supplies does not exceed MUR10 million.

### Returns and payment of VAT

VAT returns must be made monthly or quarterly, depending on the person's tax periods, and must be filed within 20 days from the end of the taxable periods. VAT returns may be filed electronically, in which case the due date is extended up to the end of the month. VAT is due when the VAT return has to be filed. VAT can be paid in cash by cheque or bank transfer. VAT payments should be effected in Mauritian currency.

### Interest and penalties

Penalties and interest are charged as follows:

- Non-submission of the VAT return – penalty of MUR2 000 (approximately USD66) per month or part of the month until the return is submitted, provided that the total surcharge does not exceed MUR20 000 (approximately USD660);
- VAT not paid by the due date – fixed penalty of 5% of the unpaid VAT in addition to interest at the rate of 1% of the VAT per month or part of the month until payment; and
- Failure to join the electronic system when required – penalty of MUR5 000 (approximately USD165) per month or part of the month, subject to a maximum penalty of MUR50 000 (approximately USD16 500).

Unless a specific scheme applies that covers such an offence, the above penalties and interest will not be waived.

### Refunds

Amounts owing by the VAT authorities are normally carried forward. A refund is only available where the input tax relates to capital goods and exceeds MUR100 000 (approximately USD33 000). A refund may also be made when the business is mainly engaged in making zero-rated supplies, or where it is very likely that it will not have any future taxable income.

### Objections and appeals

Where a person assessed for VAT is dissatisfied with the assessment, he may lodge an objection with the MRA within 28 days of the date of the assessment. Upon determination of the objection the person, if he is still dissatisfied, may make representations to the Assessment Review Committee (ARC) within 28 days of the notice of determination. It is also possible to appeal to the Supreme Court against the decision of the ARC.

Also, any person who is aggrieved by a decision of the Director-General in respect of the following may appeal to the ARC:

- As to whether or not a supply of goods or services is a taxable supply;
- Relating to the registration or cancellation of registration of any person; and
- Where the MRA is claiming back any erroneous refund made (with interest).

### Time limits

An assessment in respect of a taxable period can only be made within five years from the last day of the taxable period.

A claim for input tax can be made within 24 months of the date the input tax was paid.

### VAT records

#### VAT invoices

A registered person making taxable supplies is required to issue a VAT invoice for such supplies. Invoices must be issued by the supplier of the goods or services or by his agent.

The following information should be specified on the VAT invoice:

- The words 'VAT invoice' in a prominent place;

- The name, business address, business registration number and VAT registration number of the supplier;
- The serial number and date of issue of the VAT invoice;
- The quantity and description of the goods or the description of the services;
- The value of the supply, exclusive of VAT;
- The amount of VAT chargeable and the rate applied; and
- The name, address, business registration number and VAT registration number of the recipient.

Invoices may be issued electronically, provided the information required to be specified on an invoice is contained on the electronic invoice. Invoices may be issued in either French or English.

Where invoicing is done in a foreign currency, only the VAT on the invoice should be converted into local currency, at the rate applicable on the date of the invoice.

### Credit notes and debit notes

Credit notes and debit notes are taken into account through adjustments. Documentary evidence may be required by the MRA.

Additional export documentation

The following information should be kept on record for goods exported:

- (The bill of entry number and date;
- The date on which the goods or services are supplied;
- The date and reference number of the receipt or invoice or VAT invoice;



- d. Description of the goods or services;
- e. In the case of goods exported, the value of the goods;
- f. In the case of goods or services supplied by him, the value of the supply and if he is a registered person, the amount of VAT chargeable; and
- g. Particulars of credit notes issued.

### **Record-keeping**

The supplier must keep legible copies of VAT invoices and other records, either electronically or otherwise, in chronological order for a period of at least five years after the completion of the transaction. Records may be kept solely in electronic form, but may not be kept outside Mauritius.

## **Specific VAT rules**

### **Imports**

Every person who imports goods, other than exempt goods, is required to pay VAT on such goods.

The reverse-charge rule applies to taxable services that are supplied from abroad to a person who is VAT registered in Mauritius. There are no specific invoicing requirements. The onus is on the beneficiary of the services to account for the VAT.

### **Exports**

Goods exported from Mauritius under customs control are zero-rated. The supply of services to a person who has neither his place of abode nor a permanent establishment in Mauritius is zero-rated, provided that he is outside of Mauritius at the time the services are performed.

Tourists may purchase goods VAT-free from suppliers who are VAT registered and who are recognised as approved persons under the 'VAT-free supply scheme' and collect such goods at the air/sea port on departure or pay VAT and obtain a refund on departure. Non-resident businesses cannot get a refund of Mauritius VAT.

### **Bad debts**

VAT adjustments may be made in respect of any bad debts written off during the tax period.

### **Land and buildings**

No VAT is chargeable on the transfer of land and buildings, except for land with any building or part of a building, apartment, flat or tenement together with any interest in or right over land that is sold or transferred by a VAT-registered property developer to a VAT-registered person. VAT is also payable on the construction of buildings.

Any input VAT paid in respect of a building or part of a building (including extension and renovation) forming part of the fixed assets of a registered person may be clawed back proportionally if the building or part of the building ceases to form part of the fixed assets before the 19th year following the year it was acquired. Clawback is applicable when:

- i. That building or part of that building is sold or otherwise transferred;
- ii. The person transfers his business or ceases to carry on business; or
- iii. The tax authority is satisfied that the person should cease to be registered under the VAT Act.

Where the building referred to above in respect of which a credit for input tax has been taken is sold or otherwise transferred to a registered person, before the end of the nineteenth year following the year in which it was acquired, the seller or transferor will be deemed to have made a taxable supply and must charge VAT on that supply in proportion to the input VAT claimed, multiplied by the period between the date of sale or transfer and the expiry of the 20-year period from the date of acquisition.

Subject to prescribed conditions, an individual whose average total monthly net income for income tax

purposes and that of his spouse does not exceed MUR50 000 (USD1 667) may now claim input VAT incurred on the following:

- Construction of a residential building by a building contractor; or
- The purchase of a residential apartment from a property developer.

The total claim for a refund by the applicant and his spouse should not exceed MUR300 000 (USD10 000).

### **Promotional gifts**

VAT paid on gifts used for business purposes is allowed as an input tax deduction.

### **Second-hand goods**

VAT is levied on sales of second-hand goods, and input tax on such goods is creditable.

### **Transfer of a business**

Where a business is transferred as a going concern to another registered person, no VAT is levied on the transfer.

## **Other indirect taxes**

### **Customs duties**

Customs duties are levied on the importation of goods.

### **Excise duties**

Excise duties are levied on the production of goods such as tobacco, spirits, liquors and alcoholic beverages.

### **Taxes on gambling**

Taxes on gambling are levied on lotteries, betting and gaming.

### **Taxes on transportation**

Taxes on transportation are levied in respect of road motor vehicles.

### Registration duty and land transfer tax

Generally, registration duty is payable by the purchaser at the rate of 5% on the purchase of immoveable property or on shares in any company which reckons amongst its assets any freehold or leasehold immovable property. There are transactions that are exempt from registration duty, for example (non-exhaustive list):

- a. Documents witnessing a transaction between a non-citizen and a company holding a Category 2 Global Business Licence under the Financial Services Act 2007; and
- b. Documents witnessing a transfer of shares in a company holding a Global Business Licence under the Financial Services Act and which does not reckon among its assets any freehold or leasehold immovable property in Mauritius.

Land transfer tax is payable, by the transferor, on the transfer of immoveable property at 5%. There are instances where the deed of transfer does not attract land transfer tax, for example (non-exhaustive list):

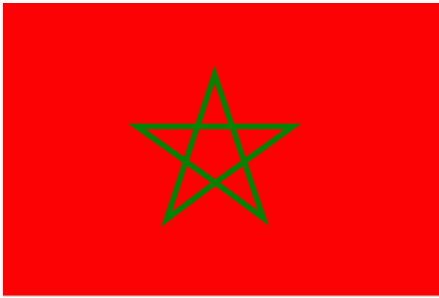
- a. When there is a transfer of assets or shares between companies forming part of a group of companies, as defined in the Companies Act 2001;
- b. When there is a transfer of shares, where the transfer takes place between companies with the same shareholders for the sole purpose of achieving a merger; and
- c. When there is a deed of transfer witnessing the transfer of an undertaking by a partnership or societe to a company where the partners or the associates of the partnership or societe and the shareholders of the company are the same persons.

### Stamp duty

Stamp duty is payable per page of a document registered, at a negligible amount.



# Morocco



## Introduction

VAT is levied under the Moroccan Tax Code and is due on all industrial, commercial and handicraft transactions taking place in Morocco.

The sale of goods is considered as taking place in Morocco and thus subject to VAT if the goods sold are delivered in Morocco.

The sale of services is considered as taking place in Morocco and thus subject to VAT if the services sold are consumed or used in Morocco. VAT was introduced in April 1986 to replace the 'Tax on turnover', in force from 1982.

## Rates and scope

### Rates

The standard rate of VAT is 20%.

Lower rates of 7%, 10% and 14% apply to specifically designated operations.

Some operations are expressly exempt from VAT, either with a deduction right or without a deduction right.

### Scope

Unless expressly exempted, transactions that take place in Morocco relating to commercial operations, industrial and handicraft operations, and independent professional services are subject to VAT. This is regardless of the targets, the results and the legal status of the persons conducting the relevant operations and regardless of their liability for other taxes.



With regard to services, transactions are considered as taking place in Morocco when the service or the right provided is used or consumed in Morocco.

## VAT registration

### Compulsory registration

Individuals and companies carrying out transactions that are subject to VAT are liable for compulsory registration.

Persons liable for VAT can be either totally or partially subject to VAT.

### Voluntary registration

Voluntary registration is allowed where persons:

- Export goods and services; or
- Undertake specific operations mentioned in the law.

### Group or branch registration

The branch or the subsidiary must register for VAT with the Tax Department, regardless of its liability for VAT, in order to obtain a tax identification number that shows the status of the registrant in regard to VAT.

The registration must be done within 30 days from starting the activity/entity incorporation.

### Non-residents

Non-resident companies that are performing taxable activities in Morocco should appoint a tax representative there in order to handle their VAT obligation (VAT return filing and payments).

Starting from 1 January 2014, the Moroccan client can report the foreign supplier's VAT on his own VAT returns (reverse-charge mechanism).

## Contact details – PwC, Morocco

<b>Address:</b>	35, rue Aziz Bellal, Maarif, Casablanca
<b>Telephone no:</b>	+212-5-22-99-98-00
<b>Website:</b>	www.pwcmaroc.com
<b>E-mail address:</b>	Mahat Chraibi (Partner) - mahat.chraibi@ma.landwellglobal.com

### Application for registration

An existence tax return is to be filed at the relevant local tax authorities.

### Deregistration

Deregistration is not possible in the case of compulsory liability for VAT.

For non-resident entities that cease to have taxable operations in Morocco, the tax representative should file a request for deregistration at the relevant tax authorities.

### Output tax

Output VAT is calculated on the basis of the amount of the invoice excluding VAT.

The VAT rate to be applied depends on the nature of the goods or services provided.

### Calculation of output tax

The taxable amount consists of all the sums, values or services received in compensation for the operation.

### Exemptions and zero-rating

Exempt supplies (without deduction right)

Exempt supplies include, but are not limited to, supplies of the following goods or services:

- Milk, sugar, bread, cereals;
- Fiscal stamps;
- Newspapers, books, movies, documentaries; and
- Interest on government loans.

Zero-rated supplies (exemption with deduction right)

The zero-rated supplies include (but are not limited to) supplies of the following goods or services:

- Goods and services exportation;
- Certain agricultural equipment supplied under prescribed circumstances;
- Investment goods recorded as fixed assets in the company's books, and acquired during the first 24 months of company activity;
- Off-shore banks for certain operations such as received interest and commission;
- Goods and services rendered to companies established in export-free zones; and
- Activities related to hydrocarbon operating, etc.

## **Input tax**

### **Input tax allowed**

Individuals and companies that are subject to VAT may deduct the input VAT incurred on the purchase of goods and services necessary to carry out activities subject to VAT.

### **Input tax expressly denied**

VAT is not deductible on the purchase of the following goods and services:

- Purchases of goods and services not used for business needs;
- Tour cars and related expenses (repair, leasing expenses, etc.);
- Reception charges;
- Purchases (promotions such as gifts to clients, etc.) and;
- 50% of VAT levied on purchases, services and benefits if the amount exceeds MAD10 000 and is paid in cash.

### **Partial exemption**

Where goods or services are acquired for making both taxable and exempt supplies without credit or out of the scope of VAT, an apportionment of VAT incurred must be made.

The standard method for calculating the apportionment is the turnover-based method.

### **Adjustments**

Variation of the deduction proportion on equipment

When the new proportion exceeds 5% of the current proportion, a complementary deduction may apply.

The complementary deduction equals 20% of the difference between the two deductions calculated on the current and the new proportions basis.

When the new proportion is inferior by more than 5% of the current proportion, a transfer of 20% of the difference between the two deductions calculated on the current and the new proportions basis should be operated.

### **Non-conservation of assets**

In case depreciable assets are not retained for a five-year period, the beneficiary of the deduction must repay the VAT to the Moroccan Tax Administration at the rate of 1/5 per year remaining until the end of the five-year period.

Where depreciable assets are acquired more than five years before the transfer, no VAT is due by the seller to the Moroccan Tax Administration.

### **Pre-registration or post-deregistration VAT**

Not applicable.

## **Imports**

### **Goods**

VAT is payable on the importation of goods and services, except where a specific exemption applies.

## **Exports**

### **Goods and services**

The exportation of goods and services is not subject to VAT. VAT exemption applies when goods are sold to consumers outside of Morocco, and to services that will be used or exploited out of Morocco.

### **Refunds to foreigners**

VAT charged on goods bought by non-resident individuals (tourists) may be refunded.

## **Place, time and value of supplies**

### **Place of supply**

The sale of goods is deemed to be in Morocco if the delivery takes place in Morocco.

The sale of a service is deemed to be in Morocco if such service is used in Morocco.

### **Time of supply**

In general, the deductible VAT can be declared once the related payable amount is paid to the debtor. However, the collected VAT can be declared according to the two following regimes:

### **Receivable collection regime**

The VAT invoiced on sales is declared after payment of the receivable account, i.e. at the moment of money collection from the client.

### **Invoicing regime**

Collected VAT is declared when the invoice is issued, or on the delivery date if that occurs first, regardless of when payment is received by the client.

### **Value of supply**

The VAT is levied on the invoiced amounts.



## VAT compliance

### Accounting basis and tax period

VAT is normally accounted for on a disbursement basis, i.e. when the VAT is paid or received. However, companies may opt to account for VAT on an accrual basis.

Tax periods consist of one month or three months:

- Monthly for taxpayers whose annual taxable turnover equals or exceeds MAD1 million, as well as persons not established in Morocco and performing taxable operations.
- Quarterly for taxpayers with an annual taxable turnover under MAD1 million, or who perform seasonal or occasional activities. New taxpayers are also subject to this provision for the first years of activity.

### Returns and payment of VAT

VAT declarations are prepared for each calendar quarter. The VAT return of each quarter must be filed within the month following the relevant quarter:

- VAT return of the first quarter must be filed no later than 19 April;
- VAT return of the second quarter must be filed no later than 19 July;
- VAT return of the third quarter must be filed no later than 19 October; and
- VAT return of the fourth quarter must be filed no later than 19 January.

However, if the taxable turnover of the previous calendar year equals or exceeds 1 million MAD, VAT returns must be prepared on a monthly basis, and the VAT return each month must be filed with the tax authorities no later than the 19th of the following month. The same rule applies to non-resident taxpayers.

According to the Moroccan Tax code, companies filing their VAT returns electronically must file their VAT returns with the tax authorities no later than the end of the following month (instead of the 19<sup>th</sup>).

The filing of the return and the payment of the tax that is due should be done simultaneously. However, in case of a nil return or VAT credit, no payment is due.

### Interest and penalties

- 15% for late declaration
- 10% penalty for late payment
- 5% interest for the first month of delay
- 0,5% interest for remaining months.

## Refunds

The input VAT may be carried forward to offset output VAT for an unlimited period of time.

However, the VAT refund is limited only to some operations provided by law, such as exports.

To obtain a reimbursement for input VAT in qualifying cases, a request must be submitted before the expiration of the one-year debarment deadline.

### Time limits

The limitation period for rectifying errors and omissions in the tax base is four years from the year for which the tax is due.

## **VAT records**

### **Tax invoices**

A regular invoice should, mainly, include the following elements:

- Invoice number;
- Vendor identity;
- Tax IDs;
- Date of the operation;
- Name and address of the client;
- Price, quantity and nature of the purchased goods and services;
- Value-added tax (if applicable);
- References and means of payment; and
- Social security ID.

### **Credit notes and debit notes**

The issue of a credit note or a debit note will form the basis for the requisite adjustment to the relevant VAT return.

### **Record-keeping**

The records must be kept by the taxpayers for a period of 10 years.

## **Specific VAT rules**

### **Bad debts**

Input VAT on bad debts cannot be recovered unless a court decides so.

### **Land and buildings**

Sale of land is out of the scope of VAT.

### **Leasing**

Leasing operations are subject to VAT at the standard rate of 20%.

### **Promotional gifts**

Input VAT on promotional gifts cannot be recovered.

### **Second-hand goods**

Second-hand movable and fixed assets purchased as from 1 January 2013 are subject to VAT.

### **Tourism industry**

Hotel accommodation is subject to a reduced rate of 10%.

### **Currency conversion**

Commissions on currency conversions are subject to VAT at the reduced rate of 10%.

### **Transfer of a business**

The transfer of a business as a going concern is out of the scope of VAT. However, the merchandise transferred in such a transaction is subject to VAT.

### **Warranty repairs**

If provided by the initial sale contract, the VAT on warranty repairs is deductible.

## **Other indirect taxes**

### **Import duties**

The importation of goods into Morocco gives rise to the payment of importation duties, the VAT on importation and the special tax on importation called TPI.

Customs duties are calculated on the basis of the 'ad valorem' value of the goods at the time of their entrance into Morocco.

Customs duties can be reduced if the imported products fall under free-trade agreements signed by Morocco or other specific regulatory provisions.

Under Moroccan tax law, the importation operations are subject to VAT at the rate of 20%. Lower rates of 7%, 10% and 14% apply to specifically designated importations.

The Moroccan tax law also offers some customs regimes that provide VAT exemptions with credit (equivalent to the zero rate).

In addition to importation duties and VAT on importation, a specific tax on importation called 'TPI' ('Taxe Parafiscale à l'Importation') applies. The TPI rate is 0,25%, levied on the value of the imported goods.

### **Excise duties**

Excise taxes apply to specific products imported into or produced in Morocco, such as tobacco and alcohol.



# Mozambique



## Introduction

VAT (Imposto sobre o Valor Acrescentado) was introduced in Mozambique in 1998, through Law no. 3/98 of January 8, 1998 and Decree no. 51/98 of September 29, 1998, approving the first VAT Code in Mozambique. Due to the approval of the new Constitution of the Republic (CRM) in 2004, it is mandatory to approve all the tax codes by law. Thus, and in order to comply with the CRM, VAT is currently governed by the new VAT Code (Código do Impostosobre o ValorAcrescentado or CVAT), approved by Law no. 32/2007, of December 31, 2007, which replaced Decree no. 51/98 of September 29, 1998, together with its regulations approved by Decree no. 7/2008 of April 16, 2008 (RCVAT).

## Rates and scope

The Mozambique (unique) VAT rate is 17%. Certain goods or services are charged at 0%. However, there are cases when VAT is not due on the full price, leading in practice to lower effective rates, namely:

- Public works for the construction or rehabilitation of roads, bridges and water or power infrastructures for supplies to rural areas – due on 40% of the taxable basis;
- Power (price is established by authorities) – 62%; and
- Services whose price is determined based on aeronautic excises – 85%.

VAT is levied on the:

- Supply of goods – i.e. the transfer of the right to dispose of tangible



property as owner, which includes commercial transactions, hire purchase, sale in instalments with reservation of ownership, commission, consignment, and application of goods forming part of a business for private use or for non-business purposes when tax has been deducted on such goods, use of goods on which tax has been deducted for a purpose or in a sector where right of deduction is excluded;

- Supply of services – as a residual concept it includes all the operations carried out that are not a supply of goods, including the supply of services free of charge made by the company in view of the personal needs of the company or of its staff, or to purposes not related to the company, and the personal use of a company's goods as well as its use for purposes not related to the company and in exempt sectors of activity when input tax has been deducted on such goods; and

- Importation of goods, being the entry of goods into the territory of the country.

The following persons are liable for the payment of VAT:

- Any person carrying on an economic activity on an independent and regular basis;
- Any person carrying on an operation on an occasional basis;
- Non-residents carrying on operations;
- Importers (whether or not they are entrepreneurs);
- Cases of self-assessment;
- Any person who unduly charges VAT on an invoice; and
- The State, except if those activities are not carried out in a significant manner (including telecommunications, water, gas and electricity distribution, transport, ports and airports, TV and radio, etc.).

## Contact details – PwC, Mozambique

Physical address	Postal address	Telephone numbers
Pestana Rovuma Carlton Hotel, Centro de Escritórios, 5º Andar	Caixa Postal 796, Maputo Moçambique	Tel. (258 21) 350 400 Fax (258 21) 307 621/320 299
PwC contact persons	Contact details	
João Martins	joao.martins@mz.pwc.com	
Malaika Xavier Ribeiro	malaika.ribeiro@mz.pwc.com	
Orlanda Niquice	orlanda.niquice@mz.pwc.com	
Ahmad Essak	ahmad.essak@mz.pwc.com	

## VAT registration

### Compulsory registration

All corporate or individual entities carrying out taxable economic activities are obliged, prior to the start of their activities, to register themselves with the competent Tax Department.

### Voluntary registration

No provision is made for voluntary registration.

### Group or branch registration

Companies in the same group (holding company and subsidiaries) cannot apply for one registration for the whole group, as each company must be registered separately.

Companies or branches of foreign entities only register for tax once – if they open additional offices within the country it is under the same registration. Each foreign entity registering as a branch is specifically registered for VAT.

### Non-residents

Non-resident entities without permanent establishment in Mozambique that carry out transactions in the national territory should appoint a resident legal representative to comply with the respective VAT obligations.

If the VAT representative of the non-resident company is an entity already registered with the tax authorities, the registration of the non-resident entity is made through the completion and submission of the form titled 'Declaration of Amendments'.

If the VAT representative of the non-resident company is an entity not registered with the tax authorities, the registration of the non-resident entity is made through the completion and submission of a form designated Model No. 01/C – 'Declaration of registration of companies'.

The legal representative and the non-resident entity are severally liable to the tax authorities. Should the

non-resident entity fail to appoint a legal representative in Mozambique, the purchaser of the goods or the recipient of the services must comply with the tax obligations.

### Application for registration

Tax registration is done by completing and submitting to the tax authorities the application form Model No. 01/C – 'Declaration of registration of companies' to obtain a tax number. The form called Model 02 – 'Declaration of start of activity for tax purposes' must be submitted 15 days prior to the commencement of tax activities.

The registration number normally comprises 9 or 10 numerals and is called NUIT – Unique Number of Tax Identification ('Número Único de Identificação Tributária') and it is also the tax number for all taxes (direct and indirect).



### **Deregistration**

Deregistration is done by the completion and submission to the tax authorities of the application form, Model 03 – ‘Declaration of ceasing of activity’.

### **Output tax**

Output tax is calculated by applying the VAT rate of 17% to the selling price.

### **Single exemptions**

Single exemptions (without credit) are applied, amongst others, to transmission or supplies of the following goods and services:

- Medical and sanitary services and strictly connected operations, carried out by hospitals, clinics and dispensaries;
- Wheelchairs and similar vehicles for disabled people and any prosthetic or compensation material intended for substitution of any limb or organ of the human body, or intended for treatment of fractures, as well as those intended to be used by blind people or for hearing deficiency correction;
- Human organs, blood and milk;
- Transport of sick or wounded people in ambulances by duly authorised entities;
- Mosquito nets;
- Medicines, including those intended for veterinary purposes, pharmaceutical specialities and other pharmaceutical products intended exclusively for therapeutic and prophylactic use, as well as plasters, bandages, cotton, cotton wool, adhesive bands and other similar products;
- Goods and services related to social assistance, provided by public entities or non-profit organisations;
- Services and strictly connected goods, supplied by nurseries, kindergartens, centres of leisure, establishments for abandoned children and youth, homes for the

aged and invalids, establishments for children and youth with disabilities, rehabilitation centres and other similar establishments pertaining to public entities or non-profit organisations;

- Services supplied by public entities or non-profit organisations engaged in the pursuit of sports, culture and physical training activities;
- Services supplied by guides on visits to museums, parks or other places belonging to the State or other non-profit entities (and the supply of strictly connected goods);
- Services and related goods supplied by public entities or non-profit entities related to congresses, conferences, seminars or similar activities of a scientific, cultural, educational or technical nature;
- Educational services and related goods, supplied by an approved establishment;
- Lessons given by an individual on school and/or university subjects;
- Professional training services and related goods, including accommodation, food and tutorial material, supplied by public entities;
- Intellectual property rights and the authorisation to use intellectual property by the respective authors or heirs;
- Newspapers, magazines and books considered to be of a cultural, educational or technical nature;
- Supply of staff, by religious or philosophical entities, for the execution of exempt activities under the terms of the VAT Code or for purposes of spiritual assistance;
- Services supplied by non-profit entities in the collective interest of its members, provided that the consideration given by the members is only a fixed fee in terms of the entities’ Articles of Association;

- Goods and services supplied by exempt entities, related to occasional events for fund raising to a maximum of eight events per year;
- Stamps at their face value;
- Public service of waste removal;
- Funeral services and accessory goods;
- Banking and financial operations;
- Insurance and reinsurance operations;
- Lease of immovable property for residential purposes or for commercial, industrial or services use, provided that the immovable property is located in a rural area;
- Operations subject to property transfer tax (SISA);
- The playing and practice of certain games of luck and forms of social entertainment;
- Goods allocated exclusively to an exempt sector of activity or that do not entitle one to a right of deduction;
- Goods and services pertaining to agricultural, forestry, cattle and fishing activities;
- Certain equipment, seeds, fertilisers and fungicides, as well as fishing nets, hooks and other tools for fishing;
- Alimentary oil and soaps;
- Sugar;
- Acquisition of raw material, intermediary products, spares, equipment and components made by the national industry of sugar; and
- Acquisition of services related to drilling, exploration and construction of infrastructures within the mining and oil industries during the exploration and development phases.

### Complete exemptions (zero-rated supplies)

The following transactions are fully exempt from VAT:

- Exports (international transport);
- Supplies of maize flour, rice, bread, iodated salt, powered milk for infants up to one year, wheat, wheat flour, fresh or refrigerated tomatoes, frozen horse mackerel (carapau), lighting petrol, jet fuel, mosquito nets, common bicycles and condoms;
- Some products resulting from the industrial activity of producing feed for animals meant for human consumption;
- Transmission of goods to be used as raw material in the alimentary oil and soap industry, resulting from the industrial activity of production of alimentary oil and soap, carried out by the relevant factory; and
- Transmission of goods and supply of services related to the agricultural activity of production of sugar cane and destined for the industry.

### Input tax

#### Input tax allowed

VAT is fully recoverable, subject to complying with the legal requirements, in the case of taxpayers carrying out fully taxable activities. Taxpayers carrying out VAT-exempt activities are not entitled to claim any input credit. Mixed taxpayers will have to use an apportionment method to determine a percentage of deductible VAT.

#### Input tax expressly denied

Input tax recovery is expressly denied in the following circumstances:

- Passenger or passenger/goods vehicles, pleasure boats, helicopters, aircraft and motorcycles;
- Fuel used for cars, except for diesel fuel, where 50% of the tax

is deductible. However, diesel is fully deductible if related to tractors used for agricultural purposes, certain machines, and large vehicles licensed for the transportation of people or goods, excluding those used in the car rental sector;

- Expenses on business trips and transport for entrepreneurs or employees;
- Lodging, food and drink, tobacco and entertainment expenditure;
- Telephone communication costs, except those related to fixed telephones in the name of the company; and
- Diversion and luxury expenses.

#### Partial exemption

Taxpayers simultaneously carrying out taxable and exempt activities can recover VAT on inputs on an apportionment basis using pro rata or direct allocation methods.

#### Adjustments

The use or allocation of goods that are part of a business for private use or for non-business purposes is considered as a supply of services when VAT has been deducted on such goods. Therefore the taxpayer must pay VAT to the tax authority.

#### Pre-registration and post-deregistration VAT

There are no specific rules regarding the recovery of VAT prior to registration or after deregistration. Companies intending to recover pre-registration or post-deregistration VAT should submit an application to the competent tax authorities requesting their legal opinion on such a procedure.

### International trade

#### Imports

##### Goods

VAT is payable by any importer on the importation of goods. However,

importation of the following goods is exempt from VAT:

- Goods that are exempt when sold within the country;
- Certain goods that are duty exempt or declared subject to suspension procedures;
- Importation of gold by the Bank of Mozambique;
- Re-importation of goods by the entity that exported the goods, when they are exempt from import duties;
- Ships and aircraft used in the international trade and goods for provisioning and fuelling thereof;
- Importation of art objects by the respective artists, authors, heirs or legatees;
- Certain other exemptions and reductions recognised by the Minister of Finance; and
- Goods classified as class K according to the customs tariff schedule.

#### Services

The general rule is that any performance of services is taxable if the service provider has its headquarters, permanent establishment or domicile from which the services are rendered, in Mozambique.

However, the performance of the following services is always taxable regardless of whether the service provider has its headquarters, permanent establishment or domicile in Mozambique:

- Services related to an immovable property located in Mozambique;
- Services performed on movable tangible goods and inspections related to them, if executed totally or essentially in Mozambique;
- Services of an artistic, scientific, sports, entertainment, educational or similar nature that take place in Mozambique; and

- Transport for the distance travelled in Mozambique.

The following services are also always taxable when the customer is established or domiciled in Mozambique:

- Cession or authorisation for use of copyright, licences, trademarks and similar rights;
- Advertisement services;
- Telecommunication services;
- Services provided by consultants, engineers, lawyers, economists and accountants, as well as study offices in several areas, such as organisation, research and development;
- Supply of information and data;
- Banking, financial, insurance and reinsurance operations;
- Dismissing of personnel in favour of a third party;
- Intermediary services that intervene in the name and on behalf of a third party in the performance of services;
- The obligation of not exercising, even if partially, a professional activity or a right mentioned above; and
- Leasing and renting of movable assets.

Should the service provider not have appointed a legal representative in Mozambique, the tax obligations in respect of the transmission of goods and performance of services must be complied with by the purchaser of the goods or the recipient of the services by the application of the self-assessment rules.

## Exports

### Goods

Exportation of the following goods is subject to full exemption from VAT (i.e. zero-rating):

- Goods shipped or transported abroad by or on behalf of the seller; and
- Goods shipped or transported abroad by a customer without residence or establishment in Mozambique, except goods destined for the supply of ships, tourism aircraft or any other means of conveyance for private use.

The following supplies of goods are considered as operations assimilated to exports and, therefore, are subject to VAT exemption:

- Supply of provisioning goods for vessels that carry out maritime navigation on the high seas, the remunerated transport of passengers, a commercial, industrial or fishing activity, rescuing or maritime assistance, and coastal fishing;
- Supply of goods under diplomatic and consular relations, in accordance with international agreements;
- Supply of goods to certain international entities;
- Supply of goods to recognised entities that export the goods abroad in the scope of their humanitarian, charitable or educational activities;
- Supply of goods by the Mozambican public railway entity to foreign railway companies; and
- Supply to the Bank of Mozambique of gold ingots or other forms of gold.

## Services

The following services are also considered as operations assimilated to exports and, therefore, are subject to VAT exemption:

- Transmission, transformation, repair, maintenance, freight and lease of vessels relating to certain activities;
- Transmission, transformation, repair, maintenance, freight and lease of aircraft used by airline companies dedicated to international traffic, and the supply of provisioning goods for the said aircraft;
- Services directly related to goods exempt from tax, being temporary imports or transits, or entered in deposits of the customs regime;
- Services related to the shipping of goods abroad;
- Services supplied by the Mozambican public railway entity to foreign railway companies;
- Transport of persons proceeding from or going abroad; and
- Works on movable assets acquired or imported for purposes of such works, which are afterwards shipped or transported abroad.

Furthermore, as stated above, the general rule is that all performance of services is taxable, provided that the service provider has its headquarters, permanent establishment or domicile in Mozambique, from which the services are rendered.

However, the aforesaid rule has a few exceptions, namely that the performance of certain services is not taxable when the customer is established or domiciled outside of Mozambique, even if the service provider has its headquarters, permanent establishment or domicile in Mozambique. The said services that are VAT exempt are the following:

- Cession or authorisation for use of copyright, licences, trademarks and similar rights;
- Advertising services;
- Telecommunication services;
- Services provided by consultants, engineers, lawyers, economists and accountants, as well as study offices in several areas, such as organisation, research and development;
- Supply of information and data;
- Banking, financial, insurance and reinsurance operations;
- Disposal of personnel in favour of a third party;
- Intermediary services that intervene in the name and on behalf of a third party in the performance of services therein;
- The obligation of not performing, even if partially, a professional activity or a right mentioned above; and
- Leasing and renting of movable assets.

### **Refunds to foreigners**

To PwC Mozambique's best knowledge, the Mozambican Authorities have not yet implemented mechanisms that allow tourists and foreign entities to be refunded the VAT paid on their local purchases when they leave the country.

## **Place, time and value of supplies**

### **Place of supply**

VAT is levied on the supply of goods or services carried out in Mozambique (territoriality concept), as well as on imports. In the case of goods, the general rule is that the taxable operation takes place where the transport to the person to whom the goods are supplied begins or where the goods are when the supply takes place (except in the case of transactions by the importer before clearance of the goods upon importation).

In the case of services or works, the general rule is that the taxable operation takes place at the supplier's business or permanent establishment from which the services are rendered, or its permanent address.

The following exceptions apply:

- Services related to immovable property located outside Mozambique – place of the property;
- Works on movable goods executed totally or mainly outside Mozambique – place where the service takes place;
- Services of artistic, scientific, sports, recreational, educational and similar nature, executed outside Mozambique – place where the service takes place; and
- Transport – where effected or distance covered.

Under the self-assessment rules, supplies of specific services (such as telecommunication, royalties, licences, trademarks, copyrights, advertising consulting, engineering, lawyers, economists, accountants and research and development services, supply of staff, lease (including financial leasing) of movable goods, etc.) are taxable in Mozambique, even if the supplier fails to register, provided the customer is a taxable person. On the other hand, these supplies would not be taxable if the customer is a foreign entity, even if the supplier is a resident entity.

### Time of supply

The time-of-supply rules determine when VAT becomes chargeable and the time from which the tax authorities may reclaim tax. These two relevant moments may not occur simultaneously whenever an invoice or equivalent document is issued, although the term for invoicing is counted from the taxable event.

As such, the normal rules of a taxable event are the following:

- Supply of goods – when the goods are delivered to the customer;
- Supply of services – when the service is concluded;
- Imports – when the goods are cleared at customs;
- Supply of goods with transport – when the transport begins;
- Supply of goods with assembling – time of conclusion;
- Supply of continued services – at the end of each period;
- Self-consumption and free supplies – when they occur;
- Supply of goods from principal to commissionaire – when the goods are delivered to the customer;
- Consignment stock – when delivered to customer or after 180 days; and
- Delivery of goods before the transferring effect of a contract (except hire purchase and sale on instalments) – when such effects take place.

VAT becomes chargeable as follows:

- Date of invoice – if the term for issuing is complied with (five working days counting from the taxable event);
- End of term – if the term is not complied with; and
- Up-front invoices and advance payments – immediate chargeability of VAT.

### Value of supply

In the case of goods and services, the value is the value of the consideration (including any taxes and duties other than VAT, and expenses related to commissions, packaging, transport and insurance paid on behalf of the customer).

In the case of imports, the value is the customs value, increased by customs duties and other import taxes and ancillary expenses (such as packaging, transport and insurance) up to the first destination of the goods in Mozambique.

### VAT compliance

#### Returns and payment of VAT

The following returns must be submitted:

- Return applicable to starting of activity – to be submitted to the Tax Department 15 days before starting the activity (Modelo 02);
- Tax registration return – to be submitted to the Tax Department before starting the activity (Modelo 01/C);
- Monthly returns with payment – to be submitted up to the last working day of the following month;
- Amendments return – to be submitted within 15 days after the alteration of any information included in the Declaration of Start of Activity of the company; taxpayers should submit a Declaration of Alterations to the same entity; and
- Closedown return – to be submitted within 30 days of the relevant declaration.

VAT payments must be made as follows:

- VAT due by taxpayers for the month must be paid to the competent Tax Department by the last working day of the following month;

- VAT assessed must be paid within 30 days after termination; and
- VAT deduction will be made within the period corresponding to the issuance date of the invoice or equivalent document, or within the following 90 days.

### Interest and penalties

The non-payment or late payment of the VAT due is subject to a fine that may vary from the amount of unpaid tax to double this amount, but not exceeding (in Mozambican Metical) MZN2.5 million (approximately USD83 500). Interest may also be applicable, should there be an amount of VAT due. The applicable interest rate is MAIBOR – 12 months plus 2% in force on the date of assessment. Interest and fines would not be waived even if the non-compliance does not result in a financial loss to the State.

### Refunds

Whenever there is a right to deduct VAT, the amount of deductible VAT must be offset against the amount of VAT payable on a monthly basis. If the amount of deductible VAT exceeds the amount due, the difference will be deductible within the subsequent months. If after 12 months the amount of credit subsists and is higher than MZN50 000, the taxpayer may apply for the relevant refund.

Irrespective of the 12-month term, the taxpayer is allowed to request a VAT refund when:

- It ceases its activities;
- It starts carrying on exclusively VAT-exempt operations with no right to deduction, or qualifies under the exemption or under simplified regimes; or
- The amount of credit exceeds the fixed limit of MZN50 000.

The deadline legally established for the tax authorities to refund VAT is 30 days. If the deadline is not met, interest will be paid on special request by the taxpayer. In practice, refunds are being paid with some delay.



## Objections and appeals

Tax authorities issue assessments and taxpayers are entitled to contest such assessments, and the process is regulated not only for objection but also for appeal to the administrative court.

## Time limits

The tax liability for any taxpayer exists for up to five years. There is no prescription period for the obligation to charge VAT on a transaction, but it is assumed that this obligation falls away after five years. After one year, input tax may be claimed only upon recognition by the tax authorities of such tax credit.

## VAT records

### Tax invoices

Invoices must be issued by any person/entity who carries out an economic activity on an independent and regular or occasional basis. Therefore, we understand that agents may also issue invoices.

Regardless of the process of issuance of the invoice, all wording must be in Portuguese and local currency. However, the tax authorities do accept that English can be used alongside with the Portuguese wording.

An invoice will only be valid for VAT purposes if it is either printed by a local printing company, authorised by the Ministry of Finance, or issued using invoicing software authorised by the Ministry of Finance.

VAT invoices have to comply with the following requirements:

- Name, address and tax registration number (NUIT) of the supplier and customer;
- Date and unique sequential number;
- Number and type of goods supplied;

- The price net of VAT;
- The VAT rate (17%), the value of the VAT charged and (separately) any exempt goods, with specific indication of the legal article granting exemption;
- If the invoice is issued by an authorised printer it should include the name of the printer, the authorisation number and the tax registration number of the printer;
- If the invoice is issued using software previously authorised by the Ministry of Finance, it has to include the expression 'Processed by Computer'; and
- Invoices must be issued in MZN.

### Credit notes

Credit notes are used in the case of the cancellation or reduction of the value of a past operation, adjusting the relevant value.

Credit notes must always make reference to the invoices to which they relate.

VAT on credit notes may or may not be included, i.e. credit notes may only adjust the operation's value without modifying the VAT position, since in normal circumstances VAT charged by the supplier has been deducted by the customer.

### Additional export documentation

Export transactions should be supported in the company's records through the specific form issued by the customs authorities for every export made (namely the DU – 'Documento Único'), as well as any other documentation that supports the transaction (e.g. invoices).

### Record-keeping

The following records must be kept:

- Statutory accounting system – records of all operations according to their VAT treatment; original invoices received and duplicates of invoices issued;

- Special records when invoicing is waived (e.g. sales by retailers and traders in market places; supply of services in certain circumstances); and
- VAT books (for taxable persons without a statutory accounting system) – records of inventories, supplies of goods and finished products, services rendered, operations on fixed assets and inventories, by-products and consumables, as at 31 December each year.

All books, records, supporting documents and other documentation related to programming and treatment of data, when accounting is carried out through a computer system, must be kept for 10 years. The accounting documentation must be kept within the country at the company's headquarters or by its legal representative, to allow the tax authorities access to the documents when required. As the scanning of documents is not expressly allowed, authorisation for scanning should be requested from the tax authorities.

## Specific VAT rules

### Bad debts

A taxpayer may deduct VAT previously invoiced to a debtor only if the debt has been formally recognised by the Court as a bad debt within an insolvency, bankruptcy or liquidation process. If the taxpayer subsequently recovers part of the outstanding debt, he must account for output tax.

### Land and buildings

Land in Mozambique is State-owned. Therefore, it is not possible to sell, transfer or give as mortgage or pledge any land. Entities are only granted the right of use of land for a determined period of time.

Operations subject to Property Transfer Tax (SISA) are exempt from VAT. As the transfer of buildings is subject to SISA, such operations are VAT exempt.

On the other hand, the lease of immovable property is 'single-exempted' when intended for residential purposes or for commercial, industrial or services use, provided that the immovable property is located in a rural area. Otherwise, the lease of immovable property is subject to VAT.

### **Leasing**

As financial operations are exempt from VAT, leasing is exempt from VAT.

### **Promotional gifts**

Promotional gifts and samples are not considered a supply of goods and are therefore not subject to VAT. The Ministry of Finance will determine the maximum value of promotional gifts and samples that are not subject to VAT.

### **Second-hand goods**

Second-hand goods are subject to VAT. The tax is applicable to the difference between the selling price and the purchase price (margin scheme). Invoices issued by taxpayers engaged in selling second-hand goods must contain the wording 'VAT – second-hand goods'. Special accounting is required to evidence the calculation of VAT. Exports of second-hand goods are, in most cases, zero-rated.

### **Retailer and service provider scheme**

Retailers and service providers may issue invoices with prices that do not disclose the amount of VAT charged.

### **Travel agencies and organisers of tourism circuits**

Where tour operators act in their own name, VAT is chargeable on the gross margin only. The taxable amount is calculated as  $[(\text{sales with VAT} - \text{purchases with VAT}) \times 100] \div 117$ .

Invoices issued for these operations should not disclose the VAT amount and should include the wording 'VAT included'. Even if the VAT is shown

separately on the invoice it cannot be deducted. These operations must be accounted for in a separate record (of a special model) showing the calculation of VAT.

### **Transfer of a business**

Transfer of a whole business or independent part thereof is excluded from VAT, provided the recipient is or will become a taxable person.

All goods not found in the place where the taxable person runs his business, forming part of his inventories and things consumed in excessive quantities, will be deemed to have been transferred or sold.

## **Other indirect taxes**

### **Import duty**

Import duties are levied on imports of goods. The taxes vary according to the customs tariff schedule.

### **Specific consumption tax**

This tax is levied on purchases of certain merchandise manufactured in Mozambique or imported. The tax rates are listed in a table and range from 20% to 75%. It should be noted that this code will be amended in the near future.

### **Property transfer tax**

Property transfer tax (SISA) is charged on the transmission of property rights or other minor rights over immovable property for consideration (e.g. sale and purchase, accord and satisfaction, constitution of servitudes, etc.) for property that is considered as urban tenements located in the Mozambican territory. 'Urban tenements' is any building on the land, with the grounds that serve it, where the source of income depends mainly on the existing structures and not on the land itself.

The obligation to pay the property transfer tax is generated at the moment that the onerous transmission of a property right or

a minor right as referred to above is considered transmitted (including as mentioned above, the signature of promise of sale agreements).

The current rate of property transfer tax is 2% of the transmission value. However, when the buyer is tax resident in a country with a more favourable tax regime, the applicable rate will be 10%.

### **Stamp duty**

Stamp duty is assessed on all documents, contracts, books, papers and deeds designated in the schedule attached to the Code. Transactions that are subject to VAT and not exempt are not subject to stamp duty.

Some of the amounts and rates indicated in the stamp duties schedule are as follows:

- Shares, bonds and any instrument representative of share capital – 0,4%;
- Sale and purchase, exchange and transfer of immovable property – 0,2%;
- Lease and sublease of immovable property – 2%;
- Mortgage and pledge – 0,3%;
- Notarial deeds – MZM250;
- Powers of attorney with any other power – MZM100;
- Loans (credit for a term of five years or longer) – 0,5%;
- Legal, judicial, fiscal and customs proceedings (per page) – MZM1 000; and
- Warranty insurance – 3%.

The entities which are responsible for assessing and paying over stamp duty include (inter alia) notaries, civil, commercial and real estate registrars and other public entities, entities that grant credit, resident credit institutions, finance companies, borrowers or beneficiaries under guarantees or debtors of interest, insurance companies, issuers of bills and other credit instruments,

lessors and sub-lessors, and other entities that participate in deeds and contracts or issue or use documents, books, instruments or papers.

### **Compensation for tax debts**

Compensation can be made for any tax debt, except where there are already special rules for compensation. This mechanism of debt write-off can be initiated by the tax authorities or the taxpayer.

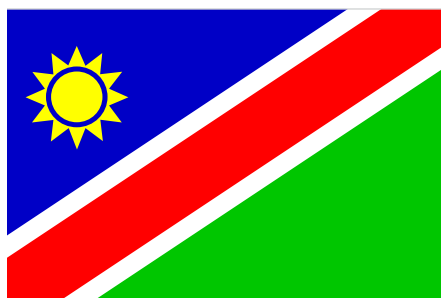
In general, the tax authorities will initiate compensation when the taxpayer pays more than the amount effectively due. The tax authorities will notify the taxpayer and, with his consent, use this overpayment to offset any future tax debt. Credits resulting from refunds, administrative review, complaint or favourable decision of administrative and judicial appeals of any administrative act are mandatorily applied in compensation.

An exception applies in case of an appeal or opposition to debt execution or when this is being paid in instalments.

Compensation by initiative of the taxpayer is made under the same terms and conditions as the compensation by tax authorities initiative, within the deadline legally established for the payment up to the start of the tax execution process.



# Namibia



## Introduction

VAT was introduced in Namibia on 27 November 2000 with the enactment of the Namibian VAT Act 10 of 2000 to replace sales tax and additional sales levies. The VAT authority is Inland Revenue, a division of the Ministry of Finance.

## Rates and scope

The standard VAT rate is 15% and applies to all supplies of goods and services not qualifying for the zero rate (0%), or an exemption. The effective VAT rate for the importation of items subject to 15% VAT will be 16,5%, due to a 10% upliftment factor.

The following transactions are generally subject to VAT:

- The taxable supply of goods and services for consideration in Namibia or partly in Namibia by a registered person; and
- The importation of goods by any person.

The following supplies are considered outside the scope of VAT:

- Employment services;
- Provision of goods on consignment;
- Hobbies;
- Exempt supplies;
- Branch activities outside Namibia;
- Registration and issuing of a licence by a registering authority;



- Levying of tax or levies by the State or local/regional authorities under any Act of Parliament;
- The payment of a subsidy, grant or bursary by any person;
- Goods entered in a licensed customs and excise warehouse; and
- Any activity conducted by the State.

## VAT registration

### Compulsory registration

A business that has a turnover of (in Namibian Dollar NAD) N\$200 000 (approximately USD20 000) or more per year is obliged to register.

The Minister of Finance of Namibia announced during her Budget Speech on 20 February 2014 that the registration threshold would be increased to N\$500 000 (approximately USD50 000), effective when the VAT Amendment Act, 2014 is promulgated.

### Voluntary registration

A business can choose whether it wants to register if its turnover is below N\$200 000.

### Group registration

No group registration is allowed.

### Non-residents

A non-resident business must register for VAT if it is performing taxable activities in Namibia and the turnover exceeds N\$200 000. In order to register for VAT purposes, a business must prove that it has a Namibian bank account and that it has business premises in Namibia.

The VAT registration of a non-resident business does not necessarily create a permanent establishment for direct tax purposes.

## Contact details – PwC, Namibia

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### Application procedures

A business should complete a VAT registration form, which can be obtained from Inland Revenue. The VAT number is the first seven digits of the income tax number, followed by 015, i.e.: 9999999 015. For the VAT import account, the VAT number is the first seven digits of the income tax number, followed by 016, i.e.: 9999999 016.

### Deregistration

A registered person can only deregister after a period of two years of being registered.

### Output tax

#### Calculation of output tax

Prices charged by a registered person in respect of a taxable supply are deemed to include the VAT payable on the supply. Prices advertised or quoted by any registered person in respect of a taxable supply must include VAT and the registered person

must state, in the advertisement or quotation, that the price includes VAT. If a person wishes to advertise or quote a price exclusive of VAT, he may nevertheless do so, provided that the VAT amount is also indicated.

### Exempt supplies

Exempt supplies include (but are not limited to):

- Financial services;
- Educational services;
- 
- Public transport of persons;
- Certain medical and paramedical services;
- The supply of rooms or services by a registered hospital, clinic, maternity home, convalescent home, nursing home or hospice;
- Fringe benefits; and
- Supplies to non-resident Heads of State.

### Zero-rated supplies

Zero-rated supplies include (but are not limited to):

- Exportation of goods;
- Fuel;
- Maize meal and mahango;
- Sunflower cooking oil, fresh and dried beans, fried out or processed animal fat used for the preparation of food, bread and cake flour (sifted and unsifted), and bread;
- Dry white or wet or dry brown granular sugar;
- Fresh milk;
- The supply of funeral undertaking services;
- International transport; and
- Erection, extension and sale of land and buildings for residential purposes.



## Input tax

### Input tax allowed

The VAT paid or payable in respect of the importation of goods and taxable supplies made to registered persons during the tax period in the course or furtherance of a taxable activity carried on by a registered person can be recovered as input tax. No input tax deduction is allowed in respect of exempt supplies.

Input tax claims may be made within a period limited to three years after the end of the tax period during which a taxpayer became entitled to it for the first time.

### Input tax expressly denied

VAT incurred relating to the following goods and services is specifically denied input VAT deduction:

- Entertainment;
- Passenger vehicles; and
- Subscriptions of a sports, social or recreational nature.

A tour operator, a person providing entertainment or a person providing taxable transportation services may, however, deduct input tax on taxable supplies made to him or her or on imports by such person, provided such taxable supplies or imports relate to the provision of entertainment or if the entertainment is provided to passengers as part of transportation services. 'Entertainment' is defined as the provision of food, beverages, tobacco, accommodation, amusement, recreation or hospitality of any kind, whether directly or indirectly.

Certain types of persons may deduct the input tax on passenger vehicles, namely:

- Persons dealing in motor vehicles or car rental;
- Tour operators;

- Short-term insurers if the vehicle was acquired to indemnify a client under a short-term insurance contract; and
- Charitable organisations, but the subsequent sale of the vehicle will be subject to VAT.

### Partial exemption

The VAT Act makes provision for only one apportionment method to be utilised by persons rendering a mixture of taxable and exempt supplies. The method is based on the application of a turnover ratio using the turnover of the previous financial year as a basis (certain special rules apply to the banking sector). If the percentage of exempt supplies in relation to total supplies is less than 10%, the registered person does not have to apportion the input tax paid on its expenses.

### Adjustments

No special rules apply.

### Pre-registration and post-deregistration VAT

A registered person is allowed a deduction in the first tax period in which the person is registered, for input tax paid by the person on taxable supplies or imports of goods (in both cases other than capital goods) before becoming registered. This is subject to the following requirements:

- The supply must have occurred not more than four months before the date of registration; and
- The goods must be on hand at the date of registration.

A person whose VAT registration is cancelled is deemed to have made a taxable supply of any goods on hand at date of deregistration in respect of which that person has been allowed an input tax claim. The person is deemed to make that supply at the open market value of the goods concerned.

## International trade

### Imports

#### Goods

VAT is payable on the importation of goods at the greater of the free-on-board value plus the upliftment factor of 10% (i.e. effectively 16,5%), or the open-market value of the imported goods. Import VAT paid may be claimed back should the person be registered for VAT and render taxable supplies.

Only cash or Namibian bank guaranteed cheques are accepted by Customs and Excise for payment of VAT on the importation of goods, unless the importer has arranged for a VAT import account facility at Inland Revenue and the facility has been registered at Customs.

Certain imports are exempt, but it is advisable to ensure which Customs procedures are applied to obtain the exemption, e.g. the exemption for import of household furniture by a person changing residence to Namibia must be applied for in advance at Customs and Excise and supported by a work permit issued by the Ministry of Home Affairs.

All imports are recorded electronically on the Customs Asycuda system. Inland Revenue has been linked to the Customs Asycuda system, making it possible to determine import VAT liability based on the reports of monthly imports produced by the Asycuda system.

Security in the form of provisional payment, guarantee or ATA Carnet is required for the temporary importation of goods, e.g. construction equipment and machinery, including private vehicles by a person taking up residence in Namibia.

## Services

VAT on imported services (the so-called reverse charge) is only levied to the extent that such imported services are utilised or consumed other than to make taxable supplies. VAT on imported services is levied at 15% of the value of the supply. Essentially, only exempt or partially exempt taxpayers (for example banks and life insurers) are thus impacted by the reverse charge. Non-registered persons who import services theoretically also have to declare and pay VAT on these imported services.

## Exports

### Goods

Exports consigned and delivered outside Namibia are zero-rated, subject to meeting Inland Revenue's requirements. Non-residents qualify for refund of VAT paid on purchases of goods in Namibia and exported by them.

### Services

Services generally supplied to non-residents who are outside Namibia at the time the services are rendered are zero-rated, provided that these services do not relate to movable goods which are not subsequently exported from Namibia or immovable property situated in Namibia. A supply of services physically rendered outside Namibia is zero-rated.

### Refunds to foreigners

VAT refunds by tourists and non-residents are processed by a private VAT Refund Administrator ('VRA') appointed by Inland Revenue and are subject to a commission (depending on VAT amount claimed, e.g. if exceeding N\$5 000, the commission withheld will be limited to N\$450).

Non-residents and tourists qualify for refunds of VAT upon presentation of proof of export (Customs-stamped export bill of entry) and an original Customs-stamped tax invoice, and such other documents as may be required by the VRA from time to

time. However, such refunds do not apply to goods and services consumed in Namibia.

## Place, time and value of supplies

### Place of supply

There are no place-of-supply rules in Namibia.

### Time of supply

A supply is deemed to take place at the earlier of issuing a tax invoice or the receipt of payment. Special rules apply to supplies between connected persons and certain other supplies.

### Value of supply

VAT is levied on the consideration received. If a supply is carried out between connected persons, the supply is deemed to be made at the open market value if the recipient of the supply is not registered for VAT purposes. If the recipient is registered, the value of the supply is the amount of the consideration.

## VAT compliance

### Returns and payment of VAT

A VAT return must be made bimonthly and must be filed within 25 days after the end of the tax period. A tax period is a period of two calendar months, except for farmers who may elect a tax period of two, four, six or 12 months. A penalty of N\$100 per day will be levied for any outstanding VAT returns, in addition to 10% of the outstanding VAT per month or part of a month. Electronic filing of VAT returns is not allowed. VAT payable must be paid when the VAT return has to be filed.

A separate import VAT return must be filed every month, within 20 days after the last day of the relevant month. VAT on imports must be paid monthly.

VAT can be paid in cash or by way of a cheque. Internet banking payments are not accepted, but a bank transfer into a specific Bank of Namibia account can be effected. Payments larger than N\$500 000 must be made by bank transfer as cheques for an amount larger than N\$500 000 may not be issued in Namibia since 10 June 2010.

### Interest

Interest is levied at the rate of 20% per annum on any unpaid VAT, calculated from the first day after the date on which payment was due until the date on which payment of the unpaid tax was made.

Unlike penalties, interest may not be waived in terms of the VAT Act.

### Refunds

A refund can be claimed on the VAT return, or (in case of overpayment of VAT) per written application to the Commissioner for Inland Revenue. Refunds may be subject to a desk or field audit by Inland Revenue, following a decision by an internal VAT Department committee. This may delay refunds in terms of filed VAT returns significantly. A registered person may not deduct a refund from the next period's payment.

### Objections and appeals

The VAT Act makes provision for an objection and an appeal process. However, the Act specifically defines appealable decisions, thus rendering certain decisions by the Commissioner: Inland Revenue not subject to appeal, for example the decision to deregister a person who, according to the Commissioner, is not carrying on any taxable activity for VAT purposes.

### Time limits

Input tax not yet claimed may be deducted if such input tax arose from a transaction that occurred during the current or immediately preceding VAT periods. Input tax may be claimed for a period up to three years after the end of the tax period during which the registered person for the first time becomes entitled to it.

### VAT records

#### Tax invoices

An invoice for VAT purposes must contain the following information:

- The words ‘tax invoice’ must be shown in a prominent place;
- The name, address and VAT identification number of the supplier;
- The name and address of the recipient (purchaser);
- The serial number of the invoice;
- Date of issue;
- A description of the goods or services supplied;
- The quantity or volume of the goods or services supplied; and
- The total amount of VAT charged, the purchase price excluding VAT, and the purchase price including VAT.

Electronic invoices are not accepted, foreign languages on invoices are not allowed and invoicing may not be done in a foreign currency. There is no requirement to state the VAT registration number of the customer on the tax invoice.

#### Credit notes and debit notes

A tax credit note or tax debit note must contain the following particulars:

- The words ‘tax credit note’ or ‘tax debit note’ in a prominent place;

- The name, address and VAT registration number of the registered person making the supply;
- The name and address of the recipient of the supply;
- The date on which the tax credit note or tax debit note was issued;
- The value of the supply shown on the tax invoice, the correct amount of the value of the supply, the difference between those two amounts, and the tax that relates to that difference;
- A brief explanation of the circumstances giving rise to the issuing of the tax credit note or tax debit note; and
- Sufficient information to identify the taxable supply to which the tax credit note or tax debit note relates.

#### Additional export documentation

In case of an export, a business must keep the following documents:

- A tax invoice; and
- A stamped SAD 500 (Customs and Excise declaration for home consumption).

#### Record-keeping

Records must be kept for a period of five years. Records cannot be kept solely in electronic form – paper copies are still necessary. The original purchase invoices and copies of all sales invoices must be kept in Namibia. Accounting records (i.e. trial balances, general ledgers, cashbooks, etc.) may be kept in another country, provided that these are kept on an electronic system that is linked to Namibia and that printouts can be provided within 24 hours after receiving a request for documents from Inland Revenue.

### Specific VAT rules

#### Bad debts

Amounts written off as bad debts qualify for deduction as input VAT.

#### Land and buildings

Services to non-residents directly in connection with land or buildings in Namibia are subject to VAT. Supplies of goods and services comprising the sale of immovable property or the erection of or extension to a building used for residential purposes are zero-rated for VAT purposes.

VAT at 15% is applicable to the sale and the leasing of commercial property. In the case of a sale of commercial property, VAT is levied in addition to transfer duty.

#### Leasing

Rentals of buildings used solely for commercial purposes are subject to VAT at the standard rate. Rentals of buildings used solely for residential purposes are exempt from VAT. Financial lease payments to a bank, financier or dealer are not subject to VAT.

#### Promotional gifts

The supply of promotional gifts is not regarded as a taxable activity, as the definition of ‘taxable activity’ requires that a supply must be made for ‘consideration’. Since gifts per definition are made free of consideration, VAT need not be accounted for on gifts.

## Used goods

A deemed input tax credit is available to a registered person when acquiring used goods (excluding immovable property) from a person who was not entitled to claim input tax on such goods. This provision essentially requires that the person from whom the used goods have been acquired must have paid input tax on the original acquisition of such goods and was not entitled to claim an input tax credit on such goods. It is submitted that this can only apply in respect of second-hand goods acquired by a non-registered person after the introduction of VAT in Namibia (as VAT must have been charged on the original acquisition) or in respect of second-hand goods acquired from a person rendering exempt supplies and who acquired such goods after the introduction of VAT and utilised such goods acquired solely in the making of exempt supplies.

‘Used goods’ mean any inanimate goods (including vehicles, but excluding animals) that were previously owned.

## Tourism industry

The VAT paid on passenger vehicles and entertainment services acquired by tour operators qualify for deduction of input tax. Services by a tour operator to non-residents are subject to VAT.

## Transfer of a business

The sale of a business as a going concern is a zero-rated supply for VAT purposes. However, in order to obtain the zero-rating, notification to Inland Revenue is required within 21 days of the date of the sale. It is thus not possible to obtain a zero-rating for a backdated sales transaction.

## Warranty repairs

A supply of goods or services in pursuance of any guarantee given in respect of new goods is zero-rated.

## Agents and auctioneers

Where an agent makes a supply of goods or services on behalf of a principal, the supply is deemed to be made by the principal and not the agent, provided that where the agent is a registered person, the agent may issue a tax invoice, tax credit or tax debit note as if the agent had made a taxable supply.

In such cases, the principal is not allowed to issue a tax invoice, tax credit or tax debit note for the same taxable supply.

Where an agent imports any goods into Namibia on behalf of a principal, the importation is deemed to be made by the principal and not the agent, provided that the Customs declaration may be held by the agent.

Despite the above provision, where a registered Namibian agent imports goods on behalf of a non-resident and non-registered principal, the importation is deemed to have been made by the agent and not the principal, provided the agent obtains and retains acceptable documentary proof that he or she paid the import VAT and that the agent and principal agreed in writing that the import VAT paid by the agent will not be reimbursed by the principal.

Where goods have been imported by an agent registered in Namibia on behalf of a non-registered, non-resident principal outside Namibia, a supply by the agent is deemed to take place at the time when the import VAT is paid, and the deemed value of the supply is the import value plus the import VAT paid on the goods.

An auctioneer and principal may agree that auction sales will be deemed to have been made by the auctioneer in the course of the auctioneer’s taxable activity, and will be subject to VAT.

## Other indirect taxes

### Customs and excise duties

Customs and excise duties are due on goods imported from outside the Southern African Customs Union (SACU) and on certain manufactured goods such as liquor and tobacco. No customs duties are levied on intra-SACU trade.

As a co-signatory of the SADC Trade Protocol, Namibian importers and exporters benefit from lower or duty-free tariffs with regard to imports to or exports from other signatories to the Protocol, e.g. Zambia, Kenya, Mozambique and Mauritius. A free-trade agreement with Zimbabwe provides for customs-duty-free imports of goods of Zimbabwean origin, and vice versa. However, import VAT is payable on such imports.

Preferential trade arrangements between SACU and the USA, as well as between SACU and MERCOSUR, are being finalised. Namibia’s importers and exporters will soon benefit from lower or duty-free rates being applied in terms of these trade arrangements.

The new Economic Partnership Agreement with the European Community has not been signed yet.

### Fuel levy

A portion of the levy on fuel is transferred to the Road Funds Administration for road maintenance. Fuel levies are payable per a Customs and Excise credit account arrangement by fuel wholesalers registered with the Ministry of Mines and Energy to Customs and Excise, based on the importation of petrol, diesel and paraffin into Namibia.

### **Transfer duty**

Duty payable on the transfer of immovable property is, with effect 1 June 2013, as follows:

#### **Non-agricultural**

- Value of property less than N\$600 000 – nil;
- More than N\$600 000 but less than N\$1000 000 – 1%;
- More than N\$1000 000 but less than N\$2 million – N\$10 000 plus 5% of value exceeding N\$1000 000; and
- More than N\$2 million – N\$54 000 plus 8% of value exceeding N\$2 million.

Natural persons benefiting under the Affirmative Action Loan Scheme for Purchases of Farm Land pay transfer duty as follows:

- Value of agricultural land less than N\$1500 000 – nil;
- Value of agricultural land more than N\$1500 000 but less than N\$2.5 million – 1%; and
- Value of agricultural land exceeding N\$2.5 million – N\$10 000 plus 3% of the value exceeding N\$2.5 million.

The current transfer duty rate for companies, close corporations and trusts remains at 12%.

### **Other levies to be introduced during 2014**

The Minister of Finance announced during her Budget Speech on 20 February 2014 that the following levies would be introduced during 2014:

- Environmental levies on vehicle tyres, incandescent bulbs, plastic bags and plastic containers; and
- Export levies on certain minerals, meat, fish and forestry products exported from Namibia. The levies will range from 0,5% to 2% on the export value.

The above changes will take effect once enabling legislation has been promulgated in Namibia.





# Nigeria



## Introduction

VAT was introduced in Nigeria in 1993 but became effective on 1 January 1994. VAT replaced the Sales Tax. VAT is governed by the VAT Act, Chapter V1, Laws of the Federation of Nigeria (LFN) 2004 as amended. The tax is administered by the Federal Inland Revenue Service (FIRS).

## Rates and scope

The standard VAT rate on goods and services is 5%. Valuation for VAT purposes includes customs duties, taxes, commission, transport, insurance and other charges, where applicable. Other than the standard-rated goods and services, some goods and services are classified as VAT exempt, while others are zero-rated.

The standard rate applies to all goods imported, supplied or manufactured in Nigeria. The scope of VAT in Nigeria is broad and applies to almost all transactions. VAT, which is based on general consumption, is applicable to the supply of all goods and services consumed in Nigeria, except where the supply is specifically exempted or zero-rated.

VAT is applicable in all Nigerian states, including the Federal Capital Territory, the territorial waters and the continental shelf of Nigeria. For VAT purposes, the export processing zones (EPZ) or free-trade zones (FTZ) are not treated as part of Nigeria. VAT is, therefore, not payable on the importation of any goods or services into an EPZ or a FTZ.

In addition, plant and machinery imported for use in the EPZ or FTZ are exempt, provided that 100% of the production of such a company is for export; otherwise, the tax accrues proportionally on the item.

## VAT registration

### Compulsory registration

All resident and non-resident companies doing business in Nigeria are required to register with the FIRS immediately on commencement of business. There is currently no registration threshold. The tax authorities will allocate a tax identification number (TIN) to every registered person, which must be stated on all tax invoices issued by the registered person.

A non-resident company doing business in Nigeria is required to register for VAT using the address of the person with whom it has a

subsisting contract as its address for purposes of correspondence relating to VAT.

Where a registered person changes its name, trading name or any business address, it must immediately notify the FIRS in writing, and all existing registration documents should be returned to the tax authorities for amendment or re-issue.

### Group or branch registration

Branches of a company are not required to register separately. The FIRS permits taxpayers to register centrally where their administrative or head offices are located. Group registration is not allowed in Nigeria.

## Contact details – PwC, Nigeria

Website: [www.pwc.com/ng](http://www.pwc.com/ng)

Physical address	Postal address	Telephone numbers
232E Muri Okunola Street, Victoria Island, Lagos, Nigeria	PO Box 2419 Lagos, Nigeria	Telephone: +234(1)2711700 / +234(1)2703101 Fax: +234(1)2703109

PwC contact persons	Designation	Contact details
Taiwo Oyedele	Head of Tax	<a href="mailto:taiwo.oyedele@ng.pwc.com">taiwo.oyedele@ng.pwc.com</a>
Russell Eastaugh	Tax Director	<a href="mailto:russell.eastaugh@ng.pwc.com">russell.eastaugh@ng.pwc.com</a>
Kenneth Erikume	Senior Manager	<a href="mailto:kenneth.y.erikume@ng.pwc.com">kenneth.y.erikume@ng.pwc.com</a>

### Application for registration

Businesses must register with the tax authorities using VAT Form 001, immediately on commencement of business. Upon registration, the business will be issued a 'Certificate of Registration' and a TIN. The number serves as authorisation to charge and collect VAT on behalf of the FIRS.

### Deregistration

The tax authorities must be notified in writing of the winding up or cessation of a business. There are no specific provisions for VAT deregistration in Nigeria.

## Output tax

### Calculation of output tax

Output VAT is calculated at the standard rate of 5% on the total sales value of goods or services supplied. Advertised prices for taxable goods and services are deemed to be inclusive of VAT in some cases such

as airtime. Where prices are not inclusive of VAT, this should be clearly stated.

Output tax is due when a taxable supply is made or in certain other circumstances, such as:

- Forced sales of goods in satisfaction of a debt;
- Certain activities in relation to the cessation of a business; and
- Withdrawal of goods for private or own use.

### Exempt supplies

Exempt goods have no VAT levied on the final goods sold to the consumer. A registered supplier of exempt goods and services cannot claim input tax credits for VAT paid on the goods or services acquired to make exempt supplies, which include:

- Exported services;

- Medical and pharmaceutical products;
- Basic food items;
- Books and educational material;
- Baby products;
- Plant, machinery and goods imported for use in the export processing zone or free-trade zone;
- Plant, machinery and equipment purchased for utilisation of gas in downstream petroleum operations;
- Fertilisers, tractors and ploughs, agricultural equipment and implements purchased for agricultural purposes;
- Medical services;
- Services rendered by mortgage institutions; and
- Plays and performances conducted by educational institutions as part of learning.

Additional exemptions granted by the Minister of Finance through the Fiscal Policy Measures in line with the VAT Act include:

- Locally manufactured biscuits;
- Plant, machinery and equipment (including steel structures) for the manufacture of cement and allied products;
- Vegetable oil; and
- Motorcycles (CKD) or bicycles (SKDs) and their spare parts.

### **Zero-rated supplies**

Zero-rated goods attract VAT at 0% on the final product, while any VAT paid on the input is claimable by the supplier. The following goods and services have been listed as zero-rated:

- Non-oil exports;
- Goods and services purchased by diplomats; and
- Goods and services purchased for use in humanitarian donor-funded projects.

## **Input tax**

### **Input tax allowed**

Input tax is the VAT on purchases by a registered person, including:

- Goods purchased, leased or otherwise acquired;
- Imported goods; and
- Services acquired by a registered person.

VAT incurred as input VAT may be deducted from output VAT only in respect of:

- Goods purchased or imported directly for resale; and
- Goods constituting the stock in trade, used directly for the production of a new product on which output VAT will be charged.

### **Input tax expressly denied**

The following are not allowed for deduction as input VAT:

- VAT incurred on overheads, services and general administrative cost of any business – such VAT is expensed to the profit and loss account together with the costs to which they relate;
- VAT on any capital item or asset – such VAT is capitalised along with the cost of the capital item or asset to which they relate; and
- VAT on any services of accommodation, lodging and entertainment, regardless of whether such goods or services are acquired for business purposes.

### **Partial exemption**

Any VAT incurred on the acquisition of goods that cannot be wholly attributed to the making of taxable supplies will be reclaimable as input VAT in part only. The apportionment of input tax that can be claimed is determined by reference to the level of taxable use or consumption of the goods and subject to the normal rules for deducting input tax.

## **International trade**

### **Imports**

VAT is payable on the importation of all goods, whether or not the importation is subject to customs duty or excise duty. VAT on imports is payable to the Nigerian Customs Service before the import can be cleared for home consumption. Goods entered into a bonded warehouse or an excise warehouse will not be recognised as imported goods until they are removed from the warehouse and entered for home consumption. Goods entered for trans-shipment, export or re-export in accordance with the Export Processing Zone Act are not liable to VAT.

VAT on importation is calculated by applying VAT at the rate of 5% to the sum of the customs value of the goods plus any customs duty or levies and other costs (such as transport, insurance etc.) up to the port or place of importation.

The VAT Act defines ‘imported services’ to mean services rendered in Nigeria by a non-resident person to a person inside Nigeria.

### **Exports**

All exports of non-oil goods are zero-rated.

Exported services are exempt from VAT. ‘Exported services’ are services rendered by a Nigerian resident or a Nigerian company to a person outside Nigeria.

There is no VAT refund to tourists on purchases made in Nigeria.

## **Place, time and value of supplies**

### **Place of supply**

There are no specific place-of-supply rules. Supplies of goods and services in Nigeria are liable to VAT in Nigeria. Supplies made outside Nigeria are outside the scope of Nigerian VAT.

### **Time of supply**

A supply of goods and services is deemed to take place at the earlier of the time a tax invoice is issued by the supplier or payment is received by the supplier.

## Value of supply

If a supply is for monetary consideration, the consideration is the amount of the supply plus the VAT chargeable. The prices of goods and services may be stated:

- Exclusive of VAT, in which case output VAT will be calculated at 5% of the VAT-exclusive price; and
- Inclusive of VAT, in which case the tax fraction of 5/105 will be applied to the VAT-inclusive price.

If the supply is for a consideration not wholly consisting of money, the value of the supply is its open market value. Where a taxable supply is not the only matter to which the consideration in money relates, the supply is deemed to be for such part of the consideration as is properly attributed to the taxable supply.

## VAT compliance

### Accounting basis and tax periods

VAT is accounted for on an invoice basis. A supplier's liability to account for output tax arises in the taxable period in which the supply takes place, irrespective of whether or not the supplier has received payment during that tax period. A registered person may thus make a claim for an input tax credit in the taxable period during which the taxable supply is made to him, provided he is in possession of a valid VAT invoice from his supplier, irrespective of whether or not he has paid his supplier.

The taxable period will generally commence on the first day of a calendar month and end on the last day of that month.

### Returns and payment of VAT

Where a registered person's output tax exceeds the input tax, the difference must be paid to the tax authorities at the time the return is submitted. Where the input tax exceeds the output tax, such VAT is carried forward as a future credit, as cash refunds are usually not given in

practice. Where a registered person does not make any supply of goods or services and does not receive any goods or services within a particular taxable period, he must submit a nil return in respect of that tax period.

The due dates for payment of VAT are as follows:

- Taxable supplies – on the submission of the return by the 21st day of the month following the end of a taxable period;
- Importation of goods – on entry for home consumption, when customs duty or excise duty is payable; and
- Notice of assessment – within 30 days of the date of the notice.

### Interest and penalties

Interest and/or penalties are charged as follows for the failure to:

- Register for VAT – penalty (in Nigerian Naira/NGN) of N10 000 (approximately USD62) for the first month of failure and N5 000 for each subsequent month in which the failure continues;
- File monthly returns – penalty of N5 000 for every month in which the failure continues;
- Remit VAT payable to the FIRS – penalty of 5% and interest charged at the prevailing commercial lending rate (up to 21% p.a.);
- Issue a tax invoice for taxable goods or services – penalty of 50% of the cost of the goods or services for which the tax invoice was not issued; or
- Collect VAT (by a registered person) – penalty of 150% of the VAT not collected plus 5% interest above Central Bank of Nigeria Monetary Policy Rate.

Penalty and interest are waived at the discretion of the tax authorities for any good cause. This waiver is granted at the level of the Board of the FIRS.

## Time limit for claiming input VAT

In general, there is no time limit as to when input VAT can be claimed, as long as such claim is supported by a tax invoice. However, in line with the statute of limitation, which is six years, it is unlikely that any claim in excess of this will be entertained.

### VAT refunds

Where the allowable input VAT exceeds the output VAT, this may be carried forward as credit against future VAT payable. Alternatively, the FIRS Establishment Act provides for a cash refund on application within 90 days of a FIRS decision, subject to an appropriate tax audit.

### Objections and appeals

Any registered person who disputes an assessment or demand notice issued to him, may appeal to the Tax Tribunal in the prescribed format. An award or judgment by the Tax Tribunal will be enforced as if it were a judgment of the Federal High Court on registration of a copy of the award or judgment in the registry of the Federal High Court by the party seeking to enforce the judgment.

Following the decision of the Tax Tribunal, notice of the amount of tax chargeable under the assessment as determined by the Tribunal will be served by the FIRS on the company or person liable for the tax. Notwithstanding a pending appeal, tax must be paid in accordance with the decision of the Tribunal within one month of notification of the amount of tax payable. Any party aggrieved by the Tribunal's decision may appeal against it on a point of law to the Court of Appeal within 30 days after the date on which the decision was given, setting out the grounds on which the decision is being challenged.



## VAT compliance

### Tax invoices

A tax invoice is issued on the supply of taxable goods or services in support of the transaction. The VAT invoice serves as a form of certification that VAT has been levied on a transaction, and as documentary proof supporting claims for input tax by a registered person.

A tax invoice must contain the following particulars:

- The taxpayer's identification number;
- Name, address and VAT registration number of the supplier;
- Customer's name and address;
- Type of supply;
- Description of the goods and services supplied;
- Quantity of goods or extent of services;
- The rate of VAT;
- The rate of cash discount offered; and
- The total VAT payable.

The penalty for failure to issue a tax invoice for taxable goods or services is 50% of the cost of the goods or services for which the tax invoice was not issued.

### Credit notes and debit notes

A credit note or debit note is usually issued to take account of a change in the consideration for a taxable supply due to the following circumstances:

- The cancellation of a supply of goods and services;
- An alteration or variation in the nature of a supply;
- A change in the previously accepted consideration for the supply, e.g. due to a discount;
- A short supply of goods;

- An irrecoverable bad debt arising from a taxable supply that has been written off; or
- A return of goods to the supplier.

The issue of a credit note or a debit note will form the basis for the requisite adjustment to the relevant VAT return. The VAT legislation is not specific on what information is to be reflected on debit and credit notes, but such documents should contain sufficient information to identify the original transaction and the VAT invoice to which it relates.

### Record-keeping

A registered person must keep records and books of all transactions, operations, imports and other activities relating to taxable goods and services sufficient to determine the correct amount of VAT due. Copies of a supplier's VAT invoices should be kept for a period of at least six years after the completion of the transaction to which they relate.

A general statutory limitation of six years immediately following the last day of the taxable period in which the transaction took place applies to the carrying out of a tax audit to produce records. This time limit can be extended when fraud is suspected to have occurred.

Records may not be kept outside the country. Records should be kept in the form of paper copies as well as in electronic form, where possible. For the purpose of ascertaining the tax liability, FIRS may require the registered person to produce records and copies of VAT invoices for retention, as it may consider necessary.

### Withholding of VAT at source

Government and government agencies are required to withhold VAT at source from all VATable supplies. Local recipients of services rendered by non-residents are required to withhold VAT at source from non-resident suppliers.

From 2007, oil and gas companies, including oil services companies, are required to withhold VAT at source from all VATable supplies made to them.

### VAT auditing, investigation and monitoring

VAT auditing is the routine verification of the registered person's books and records to ensure accuracy, completeness and genuineness of the documents on which the VAT calculations are based.

Where the VAT audit gives an indication of fraud or suspicion of sharp practices, an in-depth investigation of the registered person's affairs is conducted.

### Specific VAT rules

#### Bad debts

Where a registered person has claimed an input tax credit and the person's debt towards the supplier is written off as irrecoverable, the registered person will be required to make an adjustment for input tax over-claimed in the past.

Where a registered person has made a taxable supply, has accounted for the output tax, and has subsequently written off the whole portion of the debt as irrecoverable, the relevant adjustments should be made to the VAT return for the period concerned.

Although not specifically provided for in the VAT legislation, where a registered person subsequently recovers all or a portion of the debt that was previously written off, output tax should be paid in respect of the VAT portion of the amount recovered in the relevant tax period.

#### Land and buildings

The Nigerian law does not specifically exempt land from VAT; however, as land cannot be expressly described as either a good or a service, the practice is to treat land as exempt from VAT.

The supply of buildings is, however, not exempted from VAT. The FIRS would therefore demand output tax in this respect, which should be accounted for in the normal manner. Input tax in line with normal rules is capitalised as part of the cost of the asset.

Recent developments that affect VAT in Nigeria

- The Nigerian VAT system is currently undergoing a reform to ensure it is more robust and to address challenges that have plagued the existing legislation.
- It is expected that the VAT rate will increase to about 15% in the near future in order to ensure harmonisation with other countries in the ECOWAS trading bloc and in line with the country's National Tax Policy, which seeks to shift the focus from direct to indirect taxation.
- Other expected changes include the introduction of a registration threshold, the widening of input VAT recovery to include services and overheads, clarity on the definition of imported and exported services, and clear definitions of goods and services, and private transactions.

## Other indirect taxes

### Customs duties

Customs duties are payable on imported goods at the rate of duty shown in the customs duty tariff with reference to the prevailing Harmonised Commodity and Coding System (HS code). The current tariff under the Customs Act ranges from 0% to 35%. Duties on imported goods are levied on the cost, insurance and freight (CIF) value of the imported good. Other rates and charges include:

- 7% surcharge (port development levy), calculated on the customs duty;

- 0,5% trade liberalisation scheme levy, calculated on customs duty (where import is from countries outside the ECOWAS region); and
- 1% Comprehensive Import Suspension Scheme (CISS) administrative charge for destination inspection, based on the FOB value of goods.

Nigeria is moving towards the adoption of the common external tariff (CET) for economic communities of West African states (ECOWAS). The tariff under the CET ranges from 2% to 35%. It should be noted that the Ministry of Finance reviews customs and importation guidelines and policies from time to time. Sometimes, the practice is inconsistent with the law and policies. It is therefore advisable to keep abreast of developments in this area.

Recent developments that affect customs duties in Nigeria:

- The Customs and Excise Management Act – CEMA (Amendment) Bill is pending before the legislature;
- The Nigeria Trade Hub (NTH) (a platform for interaction of all the stakeholders in international trade) has been launched;
- The tax identification number (TIN) will henceforth serve as the declarant's number on customs import/export declaration forms (SGD or Form 2010); and
- The common external tariff (CET), which runs from 2008 to 2012, has been extended until 31 December 2013.

### Specific 2013 fiscal policy measures

To discourage the importation of raw sugar, new rates have been introduced: an import duty of 10% and a levy of 50% (previously 10% and 0%). Furthermore, refined sugar will attract an import duty rate of 20% plus a levy of 60% (previously 20% and 10%). This increase in sugar duties is facing resistance by the Manufacturers Association of Nigeria (MAN) due to its adverse impact, thus making it difficult to implement by government;

- Machinery and spare parts for local sugar manufacturing industries attract a 0% import duty;
- Importation of rice attracts an import duty rate of 10% plus a levy rate of 100%;
- Importation of wheat attracts an import duty rate of 5% plus a levy rate of 100%;
- The following attract an import duty rate of 0% and 0% import VAT:
  - commercial aircraft and aircraft spare parts imported for use in Nigeria,
  - machinery and equipment imported for the development of solid minerals, and
  - completely knocked down (CKD) components for mass transit buses of at least 40-seater capacity;
- In June 2012, Nigeria acceded to the International Convention on the Simplification and Harmonisation of Customs Procedures (the Revised Kyoto Conventions). The Convention contains guidelines on a number of areas, including clearance and customs formalities; duties and taxes; security, customs control, and application of information technology; relationships between Customs and third parties, etc.; and

- Some requirements which signatories must address include:
  - revision of domestic Customs legislation to be in line with modernday realities;
  - standardised customs processes, e.g. the Single Goods Declaration (SGD) form used in Nigeria is the same one used in other countries,
  - maximising the use of IT in customs processes, e.g. the use of automated risk management systems, collaboration with other relevant agencies and international customs agencies etc., and
  - partnership with authorised economic operators and stakeholders.

Coordinated border management, e.g. collaboration with other border control agencies

### **Stamp duty**

All instruments relating to an act to be performed in Nigeria, unless specifically exempted, must be stamped within 40 days of first execution. Stamp duties may be charged at a flat rate (specific) or in proportion to the value of the consideration (ad valorem), depending on the class of instrument.

The penalty for late stamping of instruments is N20, but where the unpaid duty exceeds N20, there is a further penalty in the form of interest on the stamp duty payable at the rate of 10% per annum, subject to a maximum of the unpaid duty. Unstamped documents are generally not admissible as evidence in civil proceedings.

### **Excise duties**

Excise duties are payable on certain goods manufactured and sold in Nigeria. The following goods are liable to excise duties at the specified rates in Nigeria:

- Beer and stout – 20%;
- Wines – 40%;
- Spirits – 40%; and
- Cigarettes and tobacco – 40%.



# Rwanda



## Introduction

VAT was introduced in Rwanda with effect from 20 January 2001 to replace ICHA (Tax on Turnover). Rwanda's VAT legislation is contained in the VAT law (Law No. 37/2012 of 09/11/2012). Law No. 37/2012 of 09/11/2012 is a new law, which became effective from 5 February 2013 and repealed the old VAT law (Law No. 06/2001 of 20/01/2001), including all prior legal provisions such as the Commissioner General's rules and Ministerial Orders.

## Rates and scope

The standard VAT rate of 18% applies to all taxable supplies of goods and services not qualifying for zero-rating or VAT exemption. There is no other higher or lower VAT rate that applies.

VAT is charged on the supply of taxable goods or services made or provided in Rwanda and on the importation of taxable goods or services into Rwanda.

## VAT registration

### Compulsory registration

Suppliers of taxable goods and services are required to apply for VAT registration. These include sole proprietors, limited liability companies and corporations.

To qualify for registration, a person must have attained a taxable turnover that exceeds or is likely to exceed, in Rwandan Francs, RWF20 million (approximately USD31 000) in the previous fiscal year or RWF5 000 000 in the preceding calendar quarter.

If a person attains or expects to attain the above threshold, he must apply for VAT registration. Failure to register for VAT will lead to retrospective compulsory registration by the Commissioner-General from the date the person became due for registration. Further, the person will be liable to a penalty of 50% of the amount of VAT payable for the entire period of operation without VAT registration.

### Voluntary registration

Suppliers with an annual turnover below the registration threshold may apply for voluntary registration. However, once registered, such suppliers become subject to all provisions of the law relating to VAT.

### Application for registration

The application for registration is made to the RRA through completion of a VAT registration form. A VAT registration certificate is then issued by the RRA. The VAT law requires

VAT-registered persons to display their registration certificates in a clearly visible place within their business premises.

### Deregistration

A registered supplier who ceases to make taxable supplies, or whose turnover falls below the registration threshold, is required to notify the Commissioner-General in writing within thirty days of ceasing to be liable for registration, providing such information as the Commissioner-General may require to facilitate deregistration.

Under the new law, a person whose VAT registration is terminated is treated as having sold taxable goods including taxable raw materials or services at hand at the time the registration is suspended, but only if the input tax was refunded to the person on acquisition or importation of the goods or services.





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## Output tax

### Calculation of output tax

Output tax is a tax imposed on goods or services made or supplied by a person. Output tax is computed by applying the VAT rate attributable to the supply to the taxable value of the supply. The VAT rate attributable to the supply will depend on whether it is a standard-rated or a zero-rated supply. Exempt supplies do not attract output tax.

### Exempt supplies

Businesses that deal exclusively in exempt supplies are not required to register for VAT and cannot claim relief from input tax on the goods and services that they consume. The following goods and services are exempt from VAT:

- Water supply services – this includes the supply of clean water and environmental treatment for non-profit making purposes, but excludes sewage pumping services;
- Goods and services for health purposes – this includes health and medical services, equipment designed for persons with disabilities, and goods and drugs appearing on the list provided for by an Order of the Minister;
- Educational materials and services – this includes educational services provided to students of nursery, primary, secondary and higher institutions of learning, educational services provided by social welfare organisations, educational services provided to vocational institutions and educational materials supplied directly to institutions of learning;
- Books, newspapers, journals and other electronic equipment used as educational materials;
- Transportation services – this includes transportation of persons by road in licensed buses and coaches with a seating capacity of 14 persons or more, transportation of persons by air, transportation of persons or goods by boat and transportation of goods by road;
- Lending, leasing and sale – this includes sale or lease of a land property, sale of a whole or part of a building meant for residential purposes, and renting of or grant of the right to occupy a house used predominantly as a place of residence of one person and his/her family, if the period of accommodation for a continuous term exceeds ninety days;
- Financial and insurance services, including premiums charged on life and medical insurance services, fees charged on the operation of current accounts, the transfer of shares, and capital market transactions for listed securities;
- Precious metals – the supply of gold in bullion form to the National Bank of Rwanda;

- Any goods or services in the course of burial or cremation of a body, including the provision of any related licence or certificate;
- Energy supply equipment, including energy-saving lamps, solar water heaters, wind energy systems, gas, gas cylinders and related materials, equipment used in the supply of biogas energy, kerosene intended for domestic use, and premium and gas oil;
- Trade union subscriptions;
- Leasing of exempt goods;
- All unprocessed agricultural and livestock products and milk which is processed in local industries;
- Agricultural inputs and other agricultural and livestock equipment provided by an Order of the Minister;
- The following goods and services imported by persons with investment certificates:
  - industrial machinery,
  - raw materials for industries,
  - building and finishing materials imported by an investor who fulfils the requirements determined by an Order of the Minister – refrigerating vehicles, tourist vehicles, ambulances, fire extinguishing vehicles and hearses,
  - vehicles and movable property and equipment for foreign investors and Rwandans living abroad and their expatriate staff,
  - equipment for the tourism and hotel industry and places of relaxation determined by an Order of the Minister,
  - goods and services meant for the free economic zone,
  - medical equipment, drugs, agricultural equipment input, livestock and fishing equipment and agricultural input,
  - didactical equipment, and
  - special tourist aeroplanes;

- Mobile handsets and subscriber identification (SIM) cards; and
- Information, communication and technology equipment.

### **Zero-rated supplies**

Zero-rated supplies include (but are not limited to) supplies of the following goods or services:

- Exported goods and services which include exported goods bearing stamps recognised by the Commissioner-General, transportation services and other related services with regard to the export of goods, transportation services of goods in transit in Rwanda to other countries, aircraft benzene, services rendered abroad and goods used in aircrafts leaving Rwanda to go abroad;
- Goods sold in shops, that are exempt from tax as provided for by the law governing customs;
- Services rendered to a tourist for which VAT has been paid; and
- Goods and services intended for special persons, including goods and services intended for diplomats accredited to Rwanda that are used in their missions, goods and services intended for international organisations that have signed agreements with Rwanda, and goods and services intended for projects funded by partners that have signed agreements with the Government of Rwanda.

## **Input tax**

### **Input tax allowed**

Generally, VAT incurred by a VAT-registered person in respect of most expenses incurred and services received for business purposes is deductible as input tax. Conversely, input tax is not deductible where:

- A valid VAT invoice has not been obtained;
- The VAT is non-Rwandan VAT;

- The time period for claiming input tax has expired (input tax must be reclaimed within five years of the tax point); and
- Input tax is directly attributable to exempt supplies where the direct attribution method for recovering input tax is applied in calculating the recoverable element of input tax.

### **Input tax expressly denied**

No input tax is allowed on the following goods:

- Passenger vehicles, or spare parts or repair and maintenance services for such a vehicle, unless the taxpayer's business involves the re-sale or renting of such a vehicle and the vehicle was solely acquired for the purpose of such taxpayer's business;
- Goods acquired or imported for entertainment purposes, unless the taxpayer's business involves providing entertainment and the entertainment is provided in the ordinary course of that business and was not entrusted to a partner or employee;
- Goods acquired for accommodation purposes, unless:
  - the taxpayer's business involves providing accommodation services and the accommodation is provided in the ordinary course of that business, or
  - the accommodation was provided to the person while away from his/her usual residential home for the interest of the business or the employer's interest; or
- The acquired goods give any person the right to membership of or access to any sports, social or recreational clubs.

Where VAT is paid on business overheads (e.g. telephones and electricity) where private and business use cannot be practically separated, 40% of the VAT paid is allowed as input tax.

### Partial exemption

Partial exemption arises where a registered business makes both taxable and exempt supplies. Input tax can be recovered through the following two methods:

- A value-based method requiring the recovery proportion to be calculated in accordance with the ratio of taxable supplies to total supplies; or
- A method requiring all VAT to be recovered where VAT can be attributed to taxable supplies, and no VAT to be recovered where it relates to exempt supplies. The remaining ('residual') VAT is then recovered according to the value of taxable supplies expressed as a proportion of total supplies.

### Pre-registration VAT

A person is allowed to claim any input tax incurred within two years prior to registration for VAT, provided the pre-registration input VAT is claimed in the first VAT return following registration.

## International trade

### Imports

#### Goods

The term 'import' in the VAT law means to bring goods into Rwanda from a foreign country. The Commissioner of Customs Services is charged with the responsibility of collecting the VAT on imported goods at various borders of entry into the country. Transit goods are not subject to VAT.

The importation of goods occurs on the date on which the goods enter Rwandan territory under the Customs Legislation.

Basic value for taxation of imported goods:

The basic value of imported goods is the sum of the following:

1. The value of the goods for the implementation of customs duty under the customs legislation, whether or not customs duty is payable on the imported goods;
2. Other related services such as:
  - the cost of insurance and freight incurred in bringing the goods to Rwanda, and
  - the cost of services which facilitate the importation of goods; and
3. The amount of customs duty, excise, port charges, or other fiscal charges other than VAT payable in respect of the importation.

If goods are re-imported after being exported for repair, renovation or improvement, and the nature of the goods has not changed, the value of the importation is the amount of the increase in value of the goods as a result of the repair, renovation, or improvement.

Importation of taxable goods is subject to VAT at the customs point in accordance with customs legislation.

#### Services

The importation of services arises where a non-resident person supplies services to a resident of Rwanda in the ordinary course of business carried on outside Rwanda, but where the services are supplied for use or consumption in Rwanda.

A local recipient of taxable services from a foreign supplier will be required to account for reverse-charge VAT at 18% of the value of the services procured. The Act further provides that the recipient may not reclaim the corresponding input VAT unless the services so procured are not available in the local market. This means that the cost of any services procured from outside Rwanda will

increase by 18% where the reverse-charge VAT is not recoverable. The RRA may deem services to be available in Rwanda even when the actual services procured are of a different specification or quality standard to those available locally. However, in respect of imported transport services, consumers of such services are allowed a deduction of reverse-charge VAT even if the services are available in Rwanda.

The tax point for imported services is the earlier of the time on which the:

- Performance of the services is completed;
- An invoice for the services is issued; or
- Payment for the services is made.

## Exports

### Goods

Any goods exported by a registered person or supplied by that person are zero-rated where the registered person holds evidence of exportation.

### Services

Services are treated as exported where the service is physically rendered outside Rwanda.

Refunds to foreigners

VAT refunds are not allowed to tourists or non-resident businesses.

## Place, time and value of supplies

### Place of supply

The following acts constitute the supply of goods and services: sale, exchange or other transfer of the right to dispose goods by the owner, and lease of goods under a leasing agreement.

Any act which is done but does not qualify as a supply of goods or money is considered as an act of service delivery. This includes the transfer

or surrender of any right to any other person, provision of any means for facilitation, the toleration of any situation, the refraining from doing any act and the lease of goods under an operating leasing agreement.

### **Time of supply**

The time of supply of goods occurs at the earlier of:

- The time when goods are removed from the premises of the supplier;
- If the goods are not to be removed, at the time when they are made available to the person to whom they are supplied;
- The time the invoice is issued; and
- The time the payment is received.

The time of supply of services occurs at the earlier of:

- The time when the services are performed;
- The time the invoice is issued; and
- The time the payment is received.

Where services are supplied for a continuous period or where the supplies are metered, such as electricity and water, the tax point is the date of first determination of the supply (when the value of the supply is established) or the time when the meter or any other calibration is next read after consumption of the supply.

### **Value of supply**

The taxable value of a taxable supply is the total consideration paid in money or in kind. The taxable value is the open-market value of the goods and services, exclusive of tax, where goods or services are supplied:

- For a non-monetary consideration;
- For both a monetary and non-monetary consideration; or
- For consideration that is less than the open-market value of the goods or services.

## **VAT compliance**

### **Returns and payment of VAT**

VAT returns are filed on a monthly basis. A taxable person must furnish a VAT tax declaration, in the prescribed form, for each VAT period within 15 days after the end of the period of the VAT (the tax period is equal to one calendar month), except where the 15th day falls on a Saturday, Sunday or public holiday, in which case the return is due on the preceding working day.

For taxpayers whose turnover is equal to or less than RWF200 000 000, the VAT declaration is quarterly and is submitted with payment of the tax due within 15 days after the end of the quarter. Voluntary VAT declaration on a monthly basis is, however, still admissible for taxpayers in this bracket.

A taxable person must submit a VAT declaration whether there is output tax to pay or not, even if he/she is claiming a refund or where the difference is zero. RRA has introduced e-filing of VAT declarations, and VAT-registered persons are required to file online.

Payment of any VAT due must be made at the time of filing of VAT returns. Payment can be made in cash, or by way of a cheque or a bank transfer.

The VAT payable for an import is due and payable when the imported goods reach the country.

The amount of VAT that a taxpayer must remit to the tax administration in the taxation period is the tax payable for the period. The tax is calculated by deducting the input tax allowed in the tax period from the total output tax payable.

### **Interest and penalties**

In case of late filing or non-filing of VAT return, fines related to such violation are:

- RWF100 000 if the taxpayer's annual turnover is equal to or less than RWF20 million;
- RWF300 000 if the taxpayer's annual turnover exceeds RWF20 million;
- RWF500 000 if the taxpayer was informed by the tax administration that he or she is in the large taxpayers' category; and
- Twice the original fine where the same violation is committed twice within five years. Where the same violation is committed again within these five years, the fine is four times the original fine.

Late payment of VAT is subject to a late payment fine of 10% of the tax payable plus interest fixed at 1,5% per month, simple interest. Interest accrued cannot exceed 100% of the amount of tax.

In the event of an audit or investigation, the following penalties arise for understatement of VAT:

- 5% of the amount of the understatement if the understatement is equal to or more than 5% but less than 10% of the tax liability the taxpayer ought to have paid;
- 10% of the amount of the understatement if the understatement is equal to or more than 10% but less than 20% of the tax liability the taxpayer ought to have paid;
- 20% of the amount of the understatement if the understatement is 20% or more but less than 50% of the tax liability the taxpayer ought to have paid; and
- 50% of the amount of the understatement if the understatement is 50% or more of the tax liability the taxpayer ought to have paid.

In addition to the above, a taxpayer who has declared the taxes due but has not paid the taxes will be subject to an administrative penalty of 50%. However, where declaration has not been done nor taxes paid, the administrative penalty increases to 60%.

### Refunds

A refund claim may arise in any prescribed accounting period when:

- The total input tax claimed in respect of purchases in the period exceeds the total output tax due on sales in that period; or
- Any amount paid in respect of a previous prescribed accounting period was in excess of the amount due and has been carried forward as a credit.

There is no special form for applying for a VAT refund claim. The submission of the normal monthly VAT return showing a refund claim provides sufficient request for refund processing. A return showing a VAT credit should serve as a notification to the Commissioner-General that the registered person is in a VAT refund situation and facilitate subsequent verification of the refund amount by RRA before approving the payment. However, to enhance the process, it is advisable for the registered person to notify the RRA to initiate the process of verifying and auditing the refund claim. The VAT law provides a timeframe of three months within which the Commissioner-General should verify the refund and approve the payment. This timeframe is impacted where there is a verification exercise that results in delays.

Once the verification exercise is complete and the refund amount has been confirmed, RRA will facilitate the payment of the refund. However, if the verification results in VAT payable by the registered person, the amount should be settled immediately by the person, including relevant penalties and interests.

The VAT law states that the Commissioner-General is required to pay the refund within 30 days. However, where a verification of the claim is required, the period for response to the taxpayer will be extended to three months from the date the claim was lodged.

### Objections and appeals

A person who disputes an assessment made upon him may object to the assessment by notice to the Commissioner-General. The notice must expressly state the grounds of objection to the assessment and must be received by the Commissioner-General within 30 days after the date of service of the notice of assessment.

The Commissioner-General may amend the assessment or refuse to amend the assessment. Where a person disputes the decision of the Commissioner-General on any matter subsequent to an objection he may, upon giving notice in writing to the Commissioner-General within 30 days of being notified of the decision, appeal to the Commissioner-General, provided that:

- The person pays assessed tax not in dispute or such part thereof as the Commissioner-General may require. The requirement to pay the tax in dispute may be suspended by the Commissioner-General upon a written request during the duration of the appeal; or
- In case of any other dispute, the person, before filing the appeal, must submit all tax returns where applicable, as required, and pay the tax amount shown thereon as being due and payable.

### Time limits

Input tax may not be deducted or credited after a period of two years or another longer period from the date of the relevant tax invoice or other evidence.

## VAT records

### Tax invoices

A VAT-registered person who sells taxable goods or services must, at the time of the supply, issue the recipient with an original tax invoice. Any registered person who makes a taxable supply must issue a tax invoice immediately when the supply is made. A tax invoice should contain the following requirements:

- The word 'tax invoice' in a prominent place;
- The name, address and VAT registration number of the supplier;
- The name, address and VAT registration number of the recipient (the purchaser);
- The serial number of the invoice and date of issue;
- The quantity or volume of the goods or services supplied;
- A description of the goods or services supplied; and
- The selling price excluding VAT, the total amount of VAT charged and the selling price including VAT.

The registered person is required to maintain a copy of all the invoices issued.

VAT-registered persons are now required to use a certified electronic billing machine (EBM) that generates tax invoices.



### **Credit notes and debit notes**

Where it becomes necessary to adjust the original VAT charge on a supply, a credit note may be issued by a supplier or a debit note by a customer or vice versa. In either case a copy must be kept. To be valid for VAT purposes, a credit or debit note must:

- Reflect a genuine mistake or overcharge or an agreed reduction in the value of the supply, and be issued within one month of this being discovered or agreed;
- Give value to the customer, i.e. represent a genuine entitlement (or claim) on the part of the customer for the amount overcharged to be either refunded or offset against the value of future supplies; and
- Be headed 'credit note' or 'debit note' as appropriate and show clearly the following details:
  - the identifying number and date of issue,
  - the name, address and registration number of the supplier,
  - the name and address of the customer,
  - the reason for its issue, e.g. 'returned goods',
  - a description which identifies the goods or services for which credit is claimed or allowed,
  - the quantity and amount of each description,
  - the total amount credited, excluding VAT, and the rate and amount of VAT credited, and
  - the number and date of the original VAT invoice. (If this cannot be done, e.g. if the returned goods cannot be identified with a particular invoice, it must be possible to satisfy the RRA by other means that VAT was accounted for on the original supply.)

### **Record-keeping**

A registered person is required to keep records of all supplies, including zero-rated, standard-rated and exempt supplies. These details should be recorded in the VAT return.

Every taxable person must, for the purpose of accounting for VAT, keep the following records:

- Business and accounting records;
- The VAT account;
- Copies of all VAT invoices issued;
- All VAT invoices received;
- Documentation relating to importations and exportations; and
- All credit notes, debit notes, or other documents which are evidence of an increase or decrease in the consideration that was received, and copies of all such documents that are issued.

### **Specific VAT rules**

#### **Post-sale adjustments**

Post-sale adjustments arise if taxable goods and services no longer exist, if the nature of taxable goods or services changes or is damaged, if the consideration for taxable goods or services changes or if goods or part of the goods are returned to the supplier.

#### **Post-sale adjustment for irrecoverable debts**

Where a registered supplier has supplied goods or services for a consideration in money, and has paid the full tax on the supply (output tax) to the tax administration, but has not received payment from the person liable, a bad debt VAT refund claim can be made after a period of 24 months from the date of supply. The VAT-registered person should fulfil the following conditions: the debt should have been included as part of taxable value of goods or services, the debt should be written

off in the books, and there should be convincing evidence that the debtor is insolvent and that all possible steps have been taken to pursue payment without success.

### **Land and buildings**

The lending, lease and sale of the following is exempt from VAT:

- The sale or lease of an interest in land;
- Sale of a building or part of a building meant for residential purposes; and
- The renting of, or other grant of the right to occupy, a house used predominantly as a place of residence of any person and his family, if the period of accommodation for a continuous period exceeds 90 days.

### **Second-hand goods**

Input tax on second-hand goods is deductible. Output tax must be accounted for on taxable second-hand goods.

### **Tourism industry**

The purchase of tourist vehicles and equipment for the tourism and hotel industry, and the importation of special tourist aeroplanes by persons with investment certificates are exempt from VAT.

### **Warranty repairs**

Usually, the granting of a warranty under repair would be included in the price of goods or services to be provided under that warranty, and on that basis VAT would have been accounted for when accounting for the VAT on the taxable goods or services. If warranty repairs are made without a further charge, the consideration for repair under warranty would be nil.

## Other indirect taxes

### Import duties

Import duty is imposed on goods imported into Rwanda. The rate will depend on a Common External Tariff (CET) in respect of the goods. The import duty rates range from 0% to 25%. The East African Community Customs Management Act governs the import duty rates and their application.

Law no. 26/2006 of 27/05/2006, determining and establishing consumption tax on some imported and locally manufactured goods.

Excise duty must be accounted for on certain manufactured goods, including alcoholic and non-alcoholic beverages, luxury goods, soft drinks, juices, tobacco products, petroleum products, cosmetics, vehicles and mobile cellular phone services.

### Excise duties

Excise duty is tax imposed on excisable services or excisable goods manufactured in or imported into Rwanda. Excise duty is governed by



# Senegal



## Introduction

VAT ('taxe sur la valeur ajoutée' (TVA)) is one of the most harmonised areas of taxation within the West African Economic and Monetary Union (UEMOA). UEMOA regulations provide that the VAT rate must be unique and be between 15% and 20%.

Senegalese VAT legislation is contained in the General Tax Code, from Article 351 to Article 399. VAT was introduced in 1980.

## Rates and scope

The standard rate of VAT is 18%. There is a 10% reduced rate applying to tourism-related activities (notably hotel accommodation and catering).

VAT is charged on the supply of goods and the provision of services in Senegal in the framework of an economic activity, and where the State and public entities carry out a commercial activity.

Certain operations are exempted, e.g. health care, agricultural and fishing activities, education, banking, insurance and reinsurance, and international transport companies (export).

## VAT registration

### Compulsory registration

Companies that carry out economic activities must be registered. They must have a tax identification number, which is valid for all taxation purposes.

### Group and branch registration

Companies of a group are registered individually. A branch is considered to be a commercial company and must thus be registered with the tax administration.

### Non-residents

When services are subject to VAT, the foreign provider must designate a local fiscal representative for the payment of VAT. If not, the Senegalese debtor has to pay the VAT on behalf of the foreign provider.

No bank account is required in Senegal.

### Application for registration

An application for VAT registration must be submitted when the company is incorporated.

### Deregistration

Deregistration is possible if the company has closed permanently. In such a case, it has to inform the

tax administration of its permanent closure.

### Output tax

#### Calculation of output tax

There are no specific rules relating to how VAT must be quoted in advertisements and prices. However, the amount of VAT must be indicated individually on an invoice.

Taxable income includes the value of the goods or services. For importation, it is the customs valuation (CIF).

The following items are not included in taxable income:

- Stamp duties;
- Disbursement under-provision; and
- Rebates or discounts.



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### Exempt supplies

Supplies are exempt (without credit) when they are related to the following:

- Health care;
- Education;
- Banking, insurance and reinsurance (specific taxation applies);
- International transport companies;
- Fishing activities;
- Agricultural activities; and
- Exportation.

### Zero-rated supplies

No supplies are zero-rated, but economic operators who are exempted because of exportation activities may deduct input VAT and obtain a reimbursement of the corresponding credit, subject to certain conditions.

### Input tax

#### Input tax allowed

VAT applied on goods and services acquired for the need of business is deductible.

#### Input tax expressly denied

VAT incurred on the following items is generally not deductible:

- Restaurant and housing expenses; and
- Vehicles for transporting persons.

#### Partial exemption

When performing taxable and non-taxable (exempted) operations, the deductible VAT is calculated by way of the apportionment formula, where:

- The numerator is the total of taxable operations plus exports; and
- The denominator is the total of taxable operations plus exempt operations plus exports.

The taxpayer must also divide into sectors for VAT purposes (subject to conditions). If the division into sectors is retained, there will be:

- A taxable sector, where the VAT paid to providers is fully deductible; and
- An exempted sector, where the VAT paid is not deductible.

The VAT paid to providers for goods and services acquired for both sectors, which is deductible as input tax, is calculated in accordance with the above apportionment formula.

## Adjustments

An adjustment must be made in the following instances:

- If the goods are no longer used for a taxable activity, the VAT must be calculated on the basis of the value of the goods; and
- In the case of a sale of depreciable goods for which input VAT has been deducted, an amount of VAT calculated in proportion to the remaining depreciable period must be paid. However, if the goods have been fully depreciated, there is no adjustment.

## International trade

### Imports

Imports of goods are subject to VAT at CIF value. If the foreign service provider has not designated a local fiscal representative, the Senegalese debtor must pay VAT on behalf of the foreign provider.

### Exports

Exports of goods and services are exempted from VAT. Refunds to foreigners are not available in practice.

## VAT compliance

### Returns and payment of VAT

VAT returns must be made and VAT paid within 15 days after the end of the month within which the tax event occurred.

### Interest and penalties

In the case of late payment, 5% interest is levied on the amount due and an additional 0,5% duty is payable per month of delay or portion of a month of delay. These late payment charges are due when the taxpayer's regularisation is spontaneous. If such payment is triggered by a tax audit from the authority itself after the due date for payment, however, a 50% penalty applies. Interest and penalties are

applicable irrespective of whether the non-compliance results in a loss to the State or in a benefit for the taxpayer.

### Refunds

VAT refunds are possible only where the liable person cannot deduct a VAT credit from the output VAT, where the credit is due to exempted income with a right of deduction, or applies under the VAT-withholding tax system (in limited cases, the output VAT is directly paid by the client of the Senegalese entity). In such a case, a refund application must be made to the tax administration within a period of two years following the origination of the credit. However, the refund must be related to VAT on fixed assets.

### Objections and appeals

Any liable person can contest liability for VAT before the courts after receipt of an assessment notice or a notice of refusal of a VAT refund. A specific procedure must be followed and a limitation period may apply, depending on the nature of the contestation.

### Time limits

Omissions or errors noted in the calculation or payment of VAT can be rectified by the tax administration within a period of four years. The maximum period for the taxpayer to claim corrections is two years after the tax event.

## VAT records

### Tax invoices

A proper tax invoice should include:

- The name, address and fiscal identification number of the supplier of goods or provider of services;
- The nature and the quantity of the goods or services;
- The net amount, the amount of VAT, the rate of VAT and the gross amount;

- The exemption provision from the tax code (if VAT is not applicable); and

- The bank account where the payment should be made.

The Senegalese entity must use the French language and local currency when issuing invoices.

### Credit notes and debit notes

Credit notes and debit notes are just accounting notions and are considered to be neither legal documents nor invoices.

### Additional export documentation

In case of export, the following documents are required:

- Proof that the goods will be transported outside Senegal (international transportation documentation);
- Copy of export declaration stamped by Customs; and
- Banking documents proving that payment has been made by the importer.

### Record-keeping

All records and books of account must be held inside Senegal. The records must be kept for a period of 10 years. The retention of records in electronic or scanned formats is not allowed.

## Specific VAT rules

### Bad debts

VAT on bad debts is recoverable. A claim must be made to the tax administration.

### Land and buildings

Renting of residential blocks is exempt from VAT if they are unfurnished. The sale of land and buildings is exempted from VAT where stamp duties are applicable.



### Leasing

Leasing operations are exempted from VAT where related to goods the supplies of which are also exempted.

### Small business scheme

An individual conducting a small business can opt for the 'global contribution regime' and will then be liable for a fixed tax in full discharge, which includes the following:

- Income tax;
- Minimum income tax;
- Business licence tax;
- VAT;
- Fixed valued employer tax; and
- Drinking establishment licence.

To benefit from this regime, the turnover of the small business should not exceed XOF (CFA Franc – BCEAO) 50 million (approximately USD102 000).

A tax scale determines the amount of tax due according to the turnover of the retailer.

### Promotional gifts

VAT on promotional gifts is recoverable if the value of each of them is not above XOF20 000.

### Tourism industry

Apart from VAT, a specific tax is applicable to a stay in a hotel:

- XOF600 per day for single hotel bed; or
- XOF1 200 per day for a double hotel bed.

### Transfer of a business

Transfer of a business is liable to registration duties and VAT is not applicable.

### Warranty repairs

Warranty repairs are subject to VAT if they constitute a service invoiced separately. However, if the service is included in the price of the goods, VAT should not be applicable.

### Other indirect taxes

#### Import duty

In the case of the importation of goods, some taxes are applicable, such as:

- Customs duty – ranging from 5% to 20%;
- Statistical tax – 1%;
- Solidarity community levy – 1%;
- CEDEAO levy – 0,5% (only applicable among CEDEAO countries); and
- COSEC levy – 0,4% (only applicable on importation by sea).

#### Excise duty

The products on which the Senegalese authorities levy excise tax, and the relevant excise tax rates, are as follows:

- Beverages – 40% for beverages containing alcohol plus an additional tax ranging from XOF800 to XOF3 000 per litre, and 3% for sparkling beverages;
- Tobacco – rate varies from 40% to 45%;
- Coffee – 5%;
- Tea – 5%;
- Fat – rate varies from 5% to 12%;
- Private cars with a horsepower (tax engine rating) superior to 13CV: 10%;
- Cosmetic products – 10% (increased to 15% for depigmentation products); and

- Oil products – rates per nature and per hectolitre: XOF21 665 for super-petrol, XOF19 847 for conventional petrol, XOF3 856 for petrol for the use of pirogues, XOF10 395 for diesel.

### Registration taxes

The following transfers trigger registration taxes:

- Transfer of shares or debts – 1%;
- Sale of real estate – 10%; and
- Sale of business – 10%.

### Stamp duty

Among the transactions subject to stamp duties are any document pertaining to registration formalities; acknowledgment of payment in cash; and bills of exchange.

The amount of stamp duty varies from XOF100 to XOF2 000 per page of the documents.

# South Africa



## Introduction

Value-added tax (VAT) was introduced in South Africa with effect from 30 September 1991 by way of the Value-Added Tax Act 89 of 1991 (VAT Act) to replace sales tax. The VAT system is administered by the South African Revenue Service (SARS). The Head of SARS is the Commissioner.

Since 1 October 2012, the administration of tax acts, including the VAT Act, is mainly regulated by the Tax Administration Act 28 of 2011. Certain VAT administration provisions are, however, still contained in the VAT Act.

## Rates and scope

The standard VAT rate of 14% applies to all supplies of goods or services (which do not qualify for the zero rate, an exemption or another exception), the importation of goods by any person, and (in certain instances) the importation of services. There is no higher VAT rate or any reduced VAT rate (except for the zero rate).

VAT is levied on 'taxable supplies', which are supplies of goods or services made by a 'vendor' (a person registered or required to be registered as a VAT vendor with SARS) in the course or furtherance of an enterprise carried on by the vendor wholly or partly in South Africa.

The concept of 'goods' includes corporeal movable goods, immovable (fixed) property, and electricity. The concept of 'services' includes anything done or to be done, the granting,

assignment, cession or surrender of any right, or the making available of a facility or advantage. Money and tax stamps are neither goods nor services.

A 'supply' includes performance in terms of a sale, rental agreement, instalment credit agreement, and all other forms of supply, whether voluntary, compulsory or by operation of law.

## VAT registration

### Compulsory registration

The registration threshold (in South African Rand/ZAR) is R1 million ( $\pm$  USD93 000). If a person's total annual value of taxable supplies has exceeded this threshold during the past 12 months, or there are reasonable grounds to expect that the threshold will be exceeded during the following 12 months, the person must apply for registration. A 'person' includes natural persons, legal persons (e.g. companies), bodies

of persons (e.g. partnerships and joint ventures), public authorities, municipalities, estates, trust funds and foreign donor-funded projects.

Registration is not required where the threshold will be exceeded solely as a consequence of the cessation of, or substantial and permanent reduction in, the size or scale of an enterprise, the replacement of capital assets or abnormal circumstances of a temporary nature.

Provisions have been introduced, with effect from 1 April 2014, where foreign suppliers of electronic services are required to register where supplies are made to residents of South Africa or payment is made from a South African bank account, and the value of these supplies has exceeded R50 000 ( $\pm$  USD4 500).



## Contact details – PwC, South Africa

Website: [www.pwc.com/za](http://www.pwc.com/za)

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### Voluntary registration

A person may apply for voluntary registration if:

- Their taxable supplies have exceeded R50 000 in a preceding 12-month period;
- They carry on an enterprise that can be expected to result in taxable supplies in excess of R50 000 during a 12-month period due to its nature;

- They buy a business as a going concern if the previous owner made taxable supplies in excess of R50 000 in a 12-month period; and
- They are a welfare organisation, share block company, foreign donor-funded project or municipality, even if the R50 000 requirement has not been met.

### Group and branch registration

Different companies in the same group cannot be registered as a group under one VAT registration number.

Separate enterprises carried on by a vendor or branches, or divisions of an enterprise carried on by a vendor, may be registered separately.

### Non-residents

For a non-resident to register in South Africa, they must furnish SARS with the particulars of their fiscal representative (who must be a natural person and reside in South Africa), and their bank account details in South Africa.

### Application for registration

A person must complete form VAT 101 and submit it to the local office of SARS. The application for registration must be accompanied by (inter alia) the following documents:

- A copy of the identity document (ID) of the individual, or of the two most senior partners or directors, shareholders, members or trustees;
- A copy of the certificate of incorporation or constitution;
- A letter of authority if the application is submitted by a registered tax practitioner;
- The banking details as required by SARS;
- A copy of the ID or passport of the fiscal representative;
- A copy of municipal account of business and representatives; and
- Copies of the past three months' bank statements for purposes of determining value of business's taxable supplies.

There are no penalties for late registration or for failing to do so. However, output VAT plus penalties and interest will be due on supplies that have not yet been declared at the time the business should have been registered for VAT purposes.

The registration number of resident and non-resident businesses consists of 10 digits, starting with a '4', for example, 499 9999 999.

The registration process for foreign suppliers of electronic supplies can be done via email. The following information will need to be submitted (and, thus, attached to the email):

- The completed VAT registration form (VAT 101);
- The certificate of incorporation of the foreign entity;
- Proof of registration with foreign tax authority; and
- The ID of the person responsible for the compliance.

### Deregistration

A vendor whose taxable supplies do not exceed the R1 million limit has the option to deregister. A vendor must apply for deregistration if his taxable supplies did not exceed the R50 000 voluntary registration limit, or when the vendor ceases to carry on an enterprise. SARS may deregister a vendor who voluntarily registered if they no longer have a fixed place of business, a bank account or proper accounting records.

Upon deregistration the vendor must pay output tax on all assets of his enterprise held by him immediately prior to his deregistration.

### Output tax

#### Calculation of VAT

Output tax is calculated by applying the tax fraction (14/114) to the price charged. Advertised prices must include VAT. If the VAT inclusive and exclusive prices are advertised or quoted, both prices must be advertised or quoted with equal prominence. Prices charged for taxable supplies are deemed to include VAT, whether or not the vendor has included VAT in the price.

### Exempt supplies

Supplies of (inter alia) the following goods or services are exempt:

- Certain financial services;
- Donated goods or services supplied by an association not for gain;
- Residential accommodation in a dwelling;
- Leasehold land that is or will be used to erect a dwelling;
- Land (including existing improvements) situated outside South Africa;
- Management services supplied by bodies corporate of sectional title property schemes, share block companies, housing development schemes for retired persons, and home owners' associations;
- Passenger transport by road or railway;
- Educational services;
- Crèche and after-school services;
- Services supplied by employee organisations against payment of membership contributions;
- Goods supplied in South Africa by a person who is not a resident of South Africa, and is not a vendor, if the goods have not been entered for home consumption (unless approval is obtained to zero-rate the supply);
- Goods or services by a bargaining council against payment of membership contributions; and
- Goods or services by a political party against payment of membership contributions.

### Zero-rated supplies

Supplies of (inter alia) the following goods or services are zero-rated, provided that all documentary and procedural requirements have been met:

- Exportation of goods;
- Supply of an enterprise as a going concern;
- Unmanufactured gold supplied to the South African Reserve Bank, the South African Mint Company or a registered bank;
- Certain gold coins;
- Certain agricultural products supplied under prescribed circumstances;
- Fuel levy goods and petroleum oil;
- Goods transferred to a foreign branch;
- Basic foodstuffs such as brown bread, brown wheaten meal, maize meal, samp, mealie rice, dried maize, beans and lentils, pilchards or sardinella, rice, vegetables, fruit, vegetable oil, milk, cultured milk, milk powder, dairy powder blend, eggs and edible legumes;
- Illuminating paraffin (kerosene) used for illuminating or heating;
- Movable goods (excluding a motor car) sold to a registered vendor in a customs controlled area (CCA) (in an industrial development zone), if the goods are physically delivered to the recipient by the supplier or his VAT-registered cartage contractor;
- Goods supplied by a vendor to a person who is a non-resident and non-vendor, but delivered to a vendor-recipient who will use the goods wholly for taxable supplies;
- International transport of passengers or goods – outside, to or from South Africa;
- Local leg of international carriage by aircraft;
- Local leg of international transport of goods;
- Services relating to land and improvements outside South Africa;
- Certain services relating to goods outside South Africa, foreign-going ships or aircrafts, goods temporarily admitted, goods exported or a foreign-operated railway train;
- Services rendered elsewhere than in South Africa or to a registered vendor in a CCA;
- Services supplied to a non-resident, if not directly in connection with movable or immovable property in South Africa (with certain exceptions);
- The granting of, and other services relating to, intellectual property rights to the extent that the rights will be used outside South Africa;
- Services rendered by welfare organisations, to the extent that the services are funded by national or local government;
- Certain services funded by government grants;
- Services funded by international donor funds;
- Vocational training of employees of non-resident employers;
- Housing subsidies;
- Certain warranty services;
- Municipal property rates;
- Race-horse winnings;
- Supply of goods by an inbound duty- and tax-free shop; and
- Supply of goods in a licensed customs and excise storage warehouse, if the goods have not been entered for home consumption (if approval has been obtained to zero-rate instead of exempt the supply).

### Input tax

#### Input tax allowed

Input VAT incurred on goods or services acquired for the purpose of consumption use or supply in the course of making taxable supplies (including zero-rated supplies) is generally deductible as input tax, provided all documentary requirements are met and the deduction is made in time (generally speaking within five years). VAT incurred in the making of exempt (without credit) supplies cannot be deducted as input tax.

#### Input tax expressly denied

The deduction of VAT incurred is expressly denied as input tax in the following circumstances:

- To the extent that goods or services are acquired for purposes of entertainment (i.e. the provision of food, beverages, accommodation, entertainment, amusement, recreation or hospitality), except where –
  - a vendor carries on an entertainment business
  - the entertainment expenses are incurred for personal subsistence for business purposes (subject to requirements)
  - a meal or refreshment forms part of a taxable transport service
  - food and drinks are included in the fee for a seminar
  - the entertainment is supplied by a municipality in providing sports or recreational facilities or amenities to the public
  - a welfare organisation incurs entertainment expenses
  - entertainment is provided to an employee at a medical care facility
  - a meal or refreshment is supplied to a crew member of a ship or vessel



- entertainment is provided as a prize in a competition if the entry fees were subject to VAT;
- Motor cars, except if acquired by a motor dealer or rental firm for resale or rental purposes or as demonstrators, or where the motor car is awarded as a prize (conditions apply); and
- Membership fees relating to sports, social or recreational activities.

### Partial exemption

Where goods or services are acquired for making both taxable supplies and exempt (without credit) supplies, an apportionment of VAT incurred must be made. The standard method for calculating the apportionment is the turnover-based method. If the turnover-based method does not give a fair result, or if the vendor wants to apply another method, SARS's written approval must be obtained.

If the intended use of goods or services acquired is more than 95% taxable supplies, the VAT incurred may be deducted in full.

### Adjustments

When the application or use of goods or services is changed subsequent to the acquisition thereof, the amount of VAT that was originally deducted as input tax may no longer be equitable and appropriate in view of the subsequent application of the goods or services.

Adjustments must be made to the vendor's output tax where:

- Goods or services acquired for making taxable supplies are subsequently applied wholly for non-taxable purposes. Output tax, calculated on the open market value of the goods or services, must be accounted for in the tax period in which the non-taxable application occurs; and
- The extent of taxable use or application of capital goods and services (costing more than R40 000) has decreased by more than 10%. Output tax, which is calculated as  $[14/114 \times \text{lesser of cost or open market value} \times \% \text{ of decreased taxable use}]$ , must be accounted for in the tax period in which the last day of the vendor's income tax year of assessment falls.

Adjustments must be made to the vendor's input tax where:

- Goods or services acquired for non-taxable purposes are subsequently applied for making taxable supplies. The deduction is calculated as  $[14/114 \times \text{lesser of cost or open market value} \times \% \text{ of taxable use}]$  and may be made in the tax period in which the taxable application occurs; and
- The extent of taxable use or application of capital goods or services (costing more than R40 000) has increased by more than 10%. The deduction is calculated as  $[14/114 \times \text{lesser of cost or open market value} \times \% \text{ of increased taxable use}]$  and may be made in the tax period in which the last day of the vendor's income tax year of assessment falls.

### Pre-registration and post-deregistration VAT

Under certain circumstances, a company can claim input tax on goods and services acquired by a person on behalf of the company before incorporation.

A person who has incurred VAT on the acquisition of goods or services prior to his VAT registration date, and who will use the goods or services subsequent to his registration as a VAT vendor, may make a deduction. It is calculated as  $[14/114 \times \text{lesser of cost or open market value} \times \% \text{ of taxable use}]$  in the tax period in which the taxable application occurs.

When a vendor is deregistered, VAT is payable on all assets of the business on the date of cancellation of registration. VAT incurred after deregistration cannot be recovered as input tax.

## International trade

### Imports

#### Goods

VAT is payable on the importation of goods except where a specific exemption applies.

Where goods are imported from a South African Customs Union (SACU) country, namely Botswana, Lesotho, Namibia or Swaziland, the VAT payable on importation is calculated as 14% of the customs value of the goods. Where goods are imported from outside the SACU region, the VAT payable on importation is calculated as  $[\text{customs value of goods} + 10\% \text{ thereof} + \text{customs \& excise duties}] \times 14\%$ .

Regular importers may apply to SARS for access to a VAT deferment account, which allows for a credit facility for the customs duty and VAT payable on the importation of goods.

#### Services

A reverse charge rule applies when a non-resident (being a non-vendor) provides services, which would be neither exempt nor zero-rated if made by a VAT vendor in South Africa, to recipients in South Africa to the extent that the services are acquired for purposes other than making taxable supplies. If the South African recipient is a VAT vendor, they must account for the VAT on their normal VAT return, otherwise VAT must be accounted for by way of a separate declaration and payment must be made to SARS. VAT on imported services is not payable if the value in respect of the supply does not exceed R100 per invoice.

## Exports

### Goods

Where the supplying vendor sells and consigns or delivers movable goods to a customer at an address outside South Africa, the export is regarded as a 'direct export'. The vendor may zero-rate the sale if all documentary and procedural requirements are met.

Where the recipient from outside South Africa removes or arranges for the removal of goods purchased in South Africa, the export is regarded as an 'indirect export'. The supplier must generally charge VAT at 14%, but may elect (subject to certain requirements) to zero-rate the supply where the supplier accepts the responsibility to ensure that the goods are delivered to a designated commercial port from where they will be exported by the purchaser.

### Services

Services physically rendered outside South Africa are zero-rated. Services supplied to a non-resident are zero-rated except where the services are:

- Rendered directly in connection with land in South Africa;
- Supplied directly in connection with movable property in South Africa, except where the property is exported after the services have been rendered, or the services are rendered in connection with movable property supplied by the non-resident to a vendor in South Africa;
- Supplied directly to the non-resident or any other person who is in South Africa when the services are rendered; or
- In connection with a restraint of trade relating to an enterprise in South Africa.

### Refunds to foreigners

Where foreigners purchase goods in South Africa, VAT will (generally) be charged at 14%. If all requirements are met, a qualifying purchaser (i.e. a non-South African resident, tourist, foreign enterprise or foreign

diplomat) may claim a refund from the VAT Refund Administrator (VRA). The purchaser must remove the goods from South Africa within three months. The refund request must be received by SARS within three months after the date of export.

## Place, time and value of supplies

### Place of supply

In line with the destination-based principle, the VAT Act aims to tax only consumption within South Africa by allowing zero-rating for exports of goods and services rendered to non-residents.

As the VAT Act does not contain specific place of supply rules, uncertainties and disputes have arisen as to when foreign enterprises making supplies in South African, for example by way of local agents or the Internet, must be registered as vendors in South Africa.

Provisions have been introduced that foreign suppliers of electronic services are required to register where electronic services are supplied into South Africa via the Internet or other electronic means.

### Time of supply

The time of a supply generally determines the tax period in which output tax must be accounted for and input tax may be claimed, as the vendor's VAT accounting basis (invoice basis or payments basis) may also affect the timing of accounting for VAT.

The general rule is that a supply takes place when an invoice is issued or any payment of consideration (excluding a deposit) is received, whichever is earlier. Various special time of supply rules apply, for example:

- Rental agreements and service agreements providing for periodic payments – when each payment becomes due or is received;

- Goods supplied progressively or periodically and construction services – when each payment becomes due or is received, or invoice is issued, whichever is earlier;
- Instalment credit agreement – when the goods are delivered or any payment is received, whichever is earlier;
- Fixed property – when registration of transfer is effected in the Deeds office, or any payment is made, whichever is earlier; or
- Coin-operated machines – the time of supply for the supplier is when the coin or token is taken from the machine. Time for the recipient is when the coin or token is inserted into machine.

### Value of supply

The general rule is that the value of a supply is the consideration (price) paid for the supply. As all prices must include VAT, 'consideration' is a VAT-inclusive concept.

- $\text{Consideration} = \text{value} + 14\% \text{ VAT}$
- $\text{VAT} = \text{consideration} \times 14/114$

Various special rules apply, for example:

- Supply to a connected person for less than the open market value of the supply where, had a market-related price been paid, the recipient would not be entitled to a full input tax deduction – value is the open market value of the supply;
- Cancellation of vendor's VAT registration – value is the lesser of the cost or the open market value of all assets at deregistration;
- Instalment credit agreement – value is the cash value (i.e. cash price, excluding finance charges);
- Application of goods (which were acquired for taxable purposes) for non-taxable purposes – value is the open market value of the goods;

- Supply of certain residential accommodation for an uninterrupted period exceeding 28 days – value is 60% of the all-inclusive charge;
- Exportation of second-hand goods – value is the purchase price to the supplier;
- Fringe benefits – value is the cash equivalent of the benefit for income tax purposes;
- Supply of entertainment if input tax was denied on the goods or services acquired to supply the entertainment – value is nil; and
- No price is paid and a special rule does not apply – value is nil.

## VAT compliance

### Accounting basis and tax period

Tax periods are periods of one, two, four, six or twelve months, depending on the vendor's circumstances.

- One month – compulsory for vendors with annual taxable turnover in excess of ZAR30 million, other vendors may apply
- Four months – small businesses with annual taxable turnover not exceeding ZAR1.5 million may apply
- Six months – farming enterprise with annual taxable turnover not exceeding ZAR1.5 million may apply
- 12 months – companies and trusts letting goods and providing administrative services to related persons on annual basis may apply
- Two months – all other vendors.

### Returns and payment of VAT

VAT returns must be filed by the 25th day after the end of the tax period. The return may be filed electronically, in which case the time limit for filing the return is the last business day of the month.

VAT payments can be made at SARS offices, at certain commercial banks, and by way of Internet payments. Payment may be made in cash (but not at SARS offices) or by cheque (limited to ZAR100 000), debit order (only if e-filing is used, limited to ZAR500 000), bank transfer or electronically.

VAT payments must be made to SARS by the 25th day after the end of the tax period (or the last preceding business day). When using the e-filing and e-payment options, payment must be made by the last business day of the month.

### Interest and penalties

Interest and penalties are levied in the case of the following:

- Late payment by a vendor – penalty of 10% is levied on the outstanding VAT amount;
- Payment made after the first day of the month in which payment is due – interest is levied on the outstanding VAT due at a rate fixed from time to time by the Minister of Finance;
- Understatement of VAT – understatement penalty levied with reference to a table, which takes the seriousness of the behaviour of the taxpayer into account; and
- Evasion of VAT or fraud – criminal prosecution.
- SARS may waive interest and penalties in the following circumstances:
- Interest may be waived if the non-compliance was due to circumstances beyond the control of the vendor;
- penalty may be waived in the case of nominal or first incidence of non-compliance, or if the non-compliance was due to certain exceptional circumstances. These include a natural or human-made disaster, civil disturbance or disruption in services, serious illness or accident, serious

emotional or mental distress, an error or delay on SARS's side, a serious financial hardship, or other circumstances of analogous seriousness. (Prior to 1 October 2012, penalty could be waived to the extent that non-payment of VAT was not due to an intent not to make payment or to postpone the liability for the payment of tax); and

- Understatement penalty may, in certain circumstances, be waived if the taxpayer made full disclosure to SARS and was in possession of an opinion by a registered tax practitioner that confirmed that the taxpayer's position is more likely than not to be upheld should the matter proceed to court.

### Refunds

If a payment is not made within 21 business days of the return being received, interest is payable by SARS provided that the return was completed correctly and SARS was not prevented from auditing the refund claim.

### Objections and appeals

A person who is aggrieved with an assessment or certain decisions may lodge an objection in the prescribed form within 30 business days. If the person is dissatisfied with SARS's decision, an appeal may be lodged within 30 business days. Depending on the specific circumstances, an appeal may be dealt with by the following:

- The 'alternative dispute resolution' (ADR) process – an informal and cost-effective method of dispute resolution outside the litigation arena;
- The Tax Board – an informal and inexpensive process for appeals not exceeding ZAR500 000;
- The Tax Court – a formal court process; or
- The High Court and or Supreme Court of Appeal – appeal by any party who feels aggrieved by the judgment of the Tax Court.

### Time limits

The maximum period for the recovery of VAT by SARS is five years. This limitation does not apply where the VAT has already been assessed during the five-year period; the failure to pay VAT was intentional; the responsible person did not act in good faith; and any assumption as to VAT liability was not based on reasonable grounds but was due to negligence.

Input tax must generally be deducted within five years of the time when the input tax was first claimable. However, if the non-deduction of input tax was in line with the practice generally prevailing, the input tax must be claimed within six months.

### VAT records

#### Tax invoices

A full tax invoice must be issued within 21 days of the date of a taxable supply if the consideration for the taxable supply exceeds ZAR5 000. The tax invoice must be in South African Rand and contain the following information:

- The words 'tax invoice';
- Individual serialised invoice number;
- Name, address and VAT registration number of the supplier;
- Name, address and VAT registration number (if applicable) of the recipient;
- Date of issue of invoice;
- Quantity or volume of goods or services;
- Full and proper description of goods or services supplied; and
- Amount charged excluding VAT, VAT charged, and amount charged including VAT, or amount inclusive of VAT with a statement to the effect that VAT is included at a specified rate.

If the consideration for the taxable supply does not exceed ZAR5 000, the supplier vendor may issue an abridged tax invoice instead of the full tax invoice. The abridged tax invoice must contain all the information required for a full tax invoice except the name, address, and VAT registration number of the recipient, and the quantity or volume of the goods or services.

Electronic invoicing is accepted on certain conditions. A foreign language may not be used on invoices. Invoicing in a foreign currency is allowed if it is a zero-rated tax invoice. For standard-rated tax invoices, the conversion to the South African rand must be reflected on the tax invoice.

#### Credit notes and debit notes

Credit and debit notes are issued when the initial consideration for the taxable supply must be adjusted. Credit notes and debit notes must contain the following information:

- The words 'credit note' or 'debit note';
- Name, address and VAT registration number of supplier;
- Name, address and VAT registration number of recipient (only if a full tax invoice was issued for the original supply);
- Date of issue of credit note or debit note;
- Reason for issuing the credit note or debit note;
- Sufficient information to identify the transaction to which the credit note or debit note relates; and
- Amount charged excluding VAT, VAT charged, and amount charged including VAT, and a statement that VAT is included and the rate of VAT charged.

A credit note is not required where the terms of a prompt payment discount are clearly reflected on the face of the tax invoice.

A supplier must increase his output tax for the period in which the debit note was issued, and the recipient (if a registered vendor) may increase his input tax to reflect the debit note. Where a credit note was issued, the supplier has an option either to decrease his output tax or to increase his input tax. The opposite applies to the recipient (if registered as a vendor).

#### Additional export documentation

Specific documentary requirements have been prescribed by SARS for substantiating the zero-rating of an export, for example:

- The supplier's copy of the zero-rated tax invoice;
- The recipient's order or the contract between the supplier and recipient;
- Export documentation as prescribed under the Customs and Excise Act;
- Proof of payment;
- Proof that the exported goods have been received by the recipient outside South Africa; and
- Other specific documents, depending on the mode of transport.

#### Record-keeping

Records must be kept for a period of five years. SARS can do an unannounced inspection to ensure that records are retained. Records must be kept for inspection in South Africa (unless approval has been granted by SARS for the records to be kept outside South Africa). The records must be kept or retained:

- In their original form, in an orderly fashion, and in a safe place;
- In the form, including electronic form, as may be prescribed by SARS in a public notice; or
- In another form acceptable and specifically authorised by SARS.



## Specific VAT rules

### Bad debts

A vendor may claim a deduction if a bad debt has been written off for accounting purposes. If the bad debt is subsequently recovered, output tax must be accounted for.

Bad debt relief cannot be claimed when a vendor transfers accounts receivable on a non-recourse basis. If transferred on a recourse basis, a deduction can be claimed only when the debt is transferred back to the vendor in respect of any part of the debt that was subsequently written off as irrecoverable.

If a vendor who is registered on the invoice basis claims an input tax deduction and fails to pay the invoice within 12 months, the vendor must account for output tax on the outstanding invoice amount (exceptions apply). When the vendor subsequently pays any amount of the invoice value, an input tax deduction can be claimed.

### Land and buildings

The sale of land and buildings by a vendor during the ordinary course of its business is subject to VAT, in which case no transfer duty is payable. The sale of fixed property by a non-vendor is subject to transfer duty only (unless an exemption applies).

A vendor may claim an input tax deduction on the acquisition of second-hand fixed property under a non-taxable supply to the extent that payment has been made and transfer of the property was effected by registration in a deeds registry in the name of the vendor making the input tax deduction.

### Accommodation

The letting of a dwelling to be used as a residence of a natural person is exempt from VAT.

The supply of short-term accommodation, for example holiday accommodation in hotels

and guesthouses, is subject to VAT if the supplier is registered as a VAT vendor in respect of this activity. A person who provides such accommodation qualifies for VAT registration only if he has made (or is expected to make) taxable supplies of such accommodation of more than ZAR60 000 per annum. If such accommodation is provided for an uninterrupted period exceeding 28 days, VAT is charged on only 60% of the charge.

### Leasing

If goods are supplied under an instalment credit agreement, the supplier must account for output tax on the total cash value excluding any finance charges when the goods are delivered or the first payment is made, whichever time is the earlier.

If goods are supplied under a rental agreement, output tax is payable on the full amount of each periodic payment. While VAT is also levied on any finance charges included in the rental, VAT is not payable upfront but only when the instalments are paid.

### Promotional gifts

Where no consideration is received for promotional gifts distributed by a vendor, no output tax will be payable. A vendor who acquires promotional gifts for purposes of distribution in the course of making taxable supplies (diaries, pens, clothing or product samples, for example) may claim input tax in respect thereof, unless the input tax is specifically denied, that is where the gift constitutes entertainment (e.g. wine or chocolates).

### Second-hand goods

The supply of second-hand goods by a vendor is subject to VAT. A vendor who has purchased second-hand goods under a non-taxable supply may, subject to certain conditions, deduct 'notional input tax' that is calculated as the tax fraction (14/114) of the lesser of the open-market value or the consideration

paid. Where the second-hand goods are fixed property, the notional input tax may be deducted to the extent that payment has been made and the transfer of the property was effected by registration in a deeds registry in the name of the vendor making the input tax deduction.

### Tourism industry

The transport of fare-paying passengers by road or railway is exempt, excluding transport by way of a funicular railway or a game-viewing vehicle. The transport of passengers from South Africa to a destination outside South Africa (and vice versa) is zero-rated. The zero-rate also applies to the local leg of an international flight, for example a connecting flight between Cape Town and Johannesburg en route to New York. The supply of accommodation and meals (e.g. in hotels) is subject to VAT at the standard rate.

Travel agency fees charged for arranging a tour package are zero-rated if the tourist is outside South Africa when the tour package is arranged, and standard-rated if the tourist is in South Africa when the tour package is arranged. Tour operators must keep accurate records to establish which part of the package relates to exempt supplies (e.g. travel in South Africa), zero-rated supplies (e.g. travel to a place outside South Africa) and taxable supplies (e.g. hotel accommodation).

### Transfer of a business

The sale of an enterprise (or part thereof) to a registered vendor is zero-rated if the parties have agreed in writing that:

- The enterprise will be sold as a going concern at 0%;
- The enterprise will be an income-earning activity on the date of transfer; and
- The assets that are necessary to carry on the enterprise are disposed of to the purchaser.



If the purchaser of an enterprise that was sold as a going concern at 0% acquires the enterprise partly for non-taxable purposes, output tax must be paid to the extent of the intended non-taxable application (if more than 5% of total application).

### Warranty repairs

The supply of services to a warrantor for consideration in respect of goods under warranty is zero-rated if the warrantor is a non-resident and non-vendor; the warrantor is outside South Africa at the time the services are rendered; and VAT was paid on the importation of the goods under warranty.

## Other indirect taxes

### Customs duty

Customs duty is payable on the importation of goods into South Africa at the time of entry for home consumption. The rate of duty is often determined as a percentage of the value of the goods (ad valorem) at a rate ranging from 0% to as high as 60%. Additional ad valorem customs duties are levied on a range of luxury items.

South Africa is a member of the Southern African Customs Union (SACU), which includes as other members Botswana, Namibia, Lesotho, and Swaziland. Import duties are not levied on movements of goods between these countries.

Depending on the origin of the imported goods concerned, preferential tariff treatment may be applied. Furthermore, a number of duty relief schemes are available depending on the type of customs-related activities in which an importer or exporter engages.

### Excise duty

Excise duty is payable on certain locally manufactured goods, and non-essential products consumed locally with a corresponding customs duty (at the same rate of duty) on imported

goods of the same class or kind, for example fuel products, tobacco products, malt beer, traditional African beer, spirits (liquor) products, wine, other fermented beverages, ad valorem products and environmental levy goods. The rate of excise duty is levied on the specific quantity or volume consumed.

Ad valorem excise duty is payable on other locally manufactured non-essential or luxury products with a corresponding ad valorem customs duty (at the same rate of duty) on imported goods of the same class or kind. These include motor vehicles, cell phones, cosmetics and television receivers. The excise duty is assessed on the value of the products consumed locally.

### Environmental levy

An environmental levy is charged on certain locally manufactured and imported plastic carrier bags and flat bags (e.g. grocery bags), electricity generated at an electricity generation plant in South Africa, electrical filament lamps and carbon dioxide (CO<sub>2</sub>) vehicle emissions.

### Transfer duty

Transfer duty is payable on the transfer of immovable property unless the supply of the property is subject to VAT. The person acquiring the property must pay the transfer duty. The following rates apply with effect from 23 February 2011:

- If the value of the property is less than ZAR600 000 – 0%;
- If the value of the property exceeds ZAR600 000, but not ZAR1 million – 3%;
- If the value of the property exceeds ZAR1 million but not ZAR1.5 million – ZAR12 000 + 5%; and
- If the value of the property exceeds ZAR1.5 million – ZAR37 000 + 8%.

### Securities transfer tax

Securities transfer tax is charged on the transfer of listed and unlisted securities at the rate of 0,25% of the taxable amount (the purchase consideration unless a special rule applies) in respect of any transfer of a security.

### Skills development levy

A skills development levy is payable by employers who have an annual payroll in excess of ZAR500 000 at a rate of 1% of the total remuneration paid to employees. This is a compulsory levy scheme for the funding of education and training.

### Turnover tax

Certain persons whose turnover does not exceed R1 million during the year of assessment, and who do not render professional services, may apply to be registered for the turnover tax for microbusinesses. This is a simplified tax system which serves as an alternative to VAT, income tax, provisional tax, etc.

### General fuel levy and Road Accident Fund levy

The general fuel levy and the Road Accident Fund levy are payable on the sale of petrol and diesel. No VAT is payable on fuel levy goods.

### Air passenger departure tax

Passengers departing to Botswana, Lesotho, Namibia and Swaziland pay air passenger departure tax of R100 per passenger, while passengers departing to other international destinations pay R190 per passenger.

# Swaziland



## Introduction

VAT was introduced in Swaziland with effect from 01 April 2012 by way of the Value-Added Tax Act 12 of 2011 to replace sales tax. The VAT system is administered by the Swaziland Revenue Authority ('SRA'). The Head of SRA is the Commissioner General.

## Rates and scope

The standard VAT rate of 14% applies to all supplies of goods or services (which do not qualify for the zero rate, an exemption or another exception), the importation of goods by any person, and (in certain instances) the importation of services. There is no higher VAT rate nor any reduced VAT rate (except for the zero rate).

VAT is levied on 'taxable supplies' which are supplies of goods or services made by a 'vendor' (a person registered or required to be registered as a VAT vendor with SRA) in the course or furtherance of an enterprise carried on by the vendor wholly in Swaziland.

The concept 'goods' includes corporeal movable goods, immovable (fixed) property, and electricity. The concept 'services' includes anything done or to be done, the granting, assignment, cession or surrender of any right or the making available of a facility or advantage. Money and tax stamps are neither goods nor services.

A 'supply' includes performance in terms of a sale, rental agreement, instalment credit agreement and

all other forms of supply, whether voluntary, compulsory or by operation of law.

## VAT registration

### Compulsory registration

The registration threshold (in Swaziland Lilangeni) is E500 000 ( $\pm$  USD50 000). A person must apply for registration:

- within 20 days of the end of a 3-month period during which the person made taxable supplies exceeding one-quarter of the annual registration threshold; or
- at the beginning of a 3-month period where there are reasonable grounds to expect that taxable supplies exceeding one-quarter of the annual registration threshold will be made

A 'person' includes a partnership, company, trust, government, and any local authority.

### Voluntary registration

A person may apply for voluntary registration, but the granting of such application is at the sole discretion of the Commissioner General.

### Group and branch registration

Different companies in the same group can be registered as a group under one VAT registration number.

Separate enterprises carried on by a vendor, or branches or divisions of an enterprise carried on by a vendor may be registered separately.

### Non-residents

For a non-resident to register in Swaziland, it must furnish SRA with the particulars of its fiscal representative (who must be a natural person and Swaziland resident) and its bank account details in Swaziland.



## Contact details – PwC, Tanzania

Website: [www.pwc.com/sz](http://www.pwc.com/sz)

Physical address	Postal address	Contact details
MTN Office Park Karl Grant Street Mbabane Swaziland	P O Box 569 Mbabane Swaziland H100	Tel: +268 2404 3143 Fax: +268 2404 5015

PwC contact persons	Designation	Contact details
Theo Mason	Director	Email: <a href="mailto:theo.mason@sz.pwc.com">theo.mason@sz.pwc.com</a>

### Application for registration

A person must complete a registration form and submit it to the local office of SRA. The application for registration must be accompanied by (inter alia) the following documents: copy of the identity document ('ID') of the Public Officer; copy of certificate of incorporation; letter of authority from the registering entity authorising the Public Officer; copy of deed of trust; partnership deed; copy of the constitution if the registering entity is an NGO; copy of the trading licence; banking details required by SRA and copies of the latest bank statements.

A taxpayer is liable to pay additional tax equal to double the VAT payable during the period in which he failed to register on time. The VAT payable is to be calculated from the time the taxable person was supposed to register.

### Deregistration

A registered taxpayer may apply for deregistration if he stops making taxable supplies as part of a business activity or if he fails to reach the threshold. Failure to reach the threshold is where turnover fails to reach 75% of annual threshold and turnover in the last three months should not exceed one quarter of the threshold. Voluntary registration can be terminated if the conditions set at registration are not met. Voluntarily registered taxpayers are not allowed to deregister within two years from registration. SRA may deregister a vendor who voluntarily registered if it no longer has a fixed place of business or has not kept proper accounting records.

A taxable person whose registration has been cancelled is regarded as having made a taxable supply of all goods on hand (including capital goods), and must make an adjustment of input tax previously

deducted on all these goods at the time the registration is cancelled.

### Output tax

#### Calculation of VAT

Output tax is calculated by applying the tax fraction (14/114) to the price charged. Advertised prices must include VAT. If the VAT inclusive and exclusive prices are advertised or quoted, both prices must be advertised or quoted with equal prominence. Prices charged for taxable supplies are deemed to include VAT, whether or not the vendor has included VAT in the price.

### **Exempt supplies**

Supplies of (inter alia) the following goods or services are exempt:

- postage stamps;
- financial services;
- insurance services;
- land and buildings except if used for commercial and industrial purposes;
- letting of immovable property other than:
  - commercial premises;
  - hotel or holiday accommodation;
  - residential accommodation for periods not exceeding 45 days; or,
  - space for parking or storing cars or other vehicles;
- educational services;
- medical, dental, and nursing services;
- social welfare services;
- betting, lotteries, games of chance or casino gambling services;
- goods as part of the transfer of a business as a going concern by one taxable person to another taxable person;
- burial and cremation services;
- precious metals and other valuables to the Central Bank of Swaziland for the Treasury of the Government of Swaziland
- passenger transportation services, other than services provided by registered tour operators;
- tap water and sewage services;
- services and goods closely linked to welfare and social security work, including those supplied by old people's homes, by bodies governed by public law or by other bodies recognized as being devoted to social wellbeing;

non-professional sporting activities by an amateur sporting organization;

non-profit making cultural activities and services; and,

goods and services in a charity arrangement.

### **Zero-rated supplies**

Supplies of (inter alia) the following goods or services are zero-rated:

- goods or services which are exported from Swaziland as part of the supply;
- international transport of goods or passengers, or goods or services in connection with the international transport of goods or passengers;
- maize meal, graded as super maize;
- meal, special maize meal, sifted maize meal or unsifted maize meal;
- maize (dried), but not popcorn or green mealies for human consumption;
- beans;
- samp;
- agricultural input – certain fertilizers and pesticides
- paraffin for cooking, illuminating and heating (not mixed or blended with any other substance);
- milk;
- brown bread made from brown wheaten meal and water that has been fermented by yeast and baked in the standard form;
- animal feeds;
- fresh fruit and vegetables;
- fresh eggs (in their shells or in the form of egg pulp);
- rice;
- vegetable oil for cooking food (not olive oil);
- prescription drugs and medicines;
- school text books; and
- petrol, diesel, paraffin (kerosene), and liquid petroleum gas.

### **Input tax**

#### **Input tax allowed**

Input VAT incurred on goods or services acquired for the purpose of consumption use or supply in the course of making taxable supplies (including zero-rated supplies) is generally deductible as input tax provided all documentary requirements are met and the deduction is made in time (generally speaking within five years). VAT incurred in the making of exempt (without credit) supplies cannot be deducted as input tax.

#### **Input tax expressly denied**

The deduction of VAT incurred is expressly denied as input tax in the following circumstances:

- to the extent that goods or services are acquired for purposes of entertainment (i.e. the provision of food, beverages, accommodation, entertainment, amusement, recreation or hospitality), except where a vendor carries on an entertainment business;
- a passenger automobile, including spare parts for and repairs and maintenance of that automobile, unless the automobile is acquired by the taxpayer exclusively for the purpose of making a taxable supply of that automobile in the ordinary course of a continuous and regular business of dealing in or hiring passenger automobiles;
- mobile telephone services up to a limit to be decided by the Minister by Regulation.

#### **Partial exemption**

Where goods or services are acquired both for making taxable supplies and exempt (without credit) supplies, an apportionment of VAT incurred must be made.

If the intended use of goods or services acquired is more than 95% taxable supplies, the VAT incurred may be deducted in full, and if less than 5%, no deduction will be allowed.

## Adjustments

When the application or use of goods or services is changed subsequent to the acquisition thereof, the amount of VAT that was originally deducted as input tax may no longer be equitable and appropriate in view of the subsequent application of the goods or services. An adjustment must be made to the vendor's:

output tax where goods or services acquired for making taxable supplies are subsequently applied wholly for non-taxable purposes: output tax, calculated on the open market value of the goods or services, must be accounted for in the tax period in which the non-taxable application occurs; or

input tax where goods or services acquired for non-taxable purposes are subsequently applied for making taxable supplies: the deduction is calculated as  $[14/114 \times \text{lesser of cost or open market value} \times \% \text{ of taxable use}]$ , and may be made in the tax period in which the taxable application occurs.

## Pre-registration and post-deregistration VAT

After the commencement of the VAT Act, a person being registered has in stock, plant and machinery, and other goods on which tax was paid prior to being registered, that person shall be entitled to claim a credit of the tax on goods which were purchased within four months before the date of registration, and in the case of plant and machinery, within six months before the date of registration.

A taxable person whose registration has been cancelled is regarded as having made a taxable supply of all goods on hand (including capital goods) and is liable to adjustment of previous deducted input tax on all these goods at the time the registration is cancelled.

## International trade

### Imports

#### Goods

VAT is payable on the importation of goods except where a specific exemption applies.

Where goods are imported from a Southern African Customs Union (SACU) country, namely Botswana, Lesotho, Namibia or South Africa, the VAT payable on importation is calculated as 14% of the customs value of the goods. Where goods are imported from outside the SACU region, the VAT payable on importation is calculated as  $[\text{customs value of goods} + 10\% \text{ thereof} + \text{customs \& excise duties}] \times 14\%$ .

Regular importers may apply to SRA for access to a VAT Deferment Account allowing a credit facility for the customs duty and VAT payable on the importation of goods.

#### Services

A reverse charge rule applies when a non-resident (being a non-vendor) provides services (which would be neither exempt nor zero-rated if made by a VAT vendor) to recipients in Swaziland to the extent that the services are acquired for purposes other than to make taxable supplies. If the Swaziland recipient is not a VAT vendor, it must be accounted for by way of a separate declaration and payment be made to SRA.

### Exports

#### Goods

Where the supplying vendor sells and consigns or delivers movable goods to a customer at an address outside Swaziland, the export is regarded as a 'direct export'. The vendor may zero-rate the sale if all documentary requirements are met.

Where the recipient outside Swaziland removes or arranges for the removal of goods purchased in Swaziland, the export is regarded as an 'indirect export'. The supplier

must generally charge VAT at 14%, but may elect (subject to certain requirements) to zero-rate the supply where the supplier accepts the responsibility to ensure that the goods are delivered to a 'designated commercial port' from where they will be exported by the purchaser.

### Services

Services physically rendered outside Swaziland are zero-rated.

Place, time and value of supplies

### Place of supply

A supply of services normally takes place where the services are rendered.

The supply of the following services takes place where the recipient uses or obtains the advantage of the services:

- transfers and assignments of copyrights, patents, licenses, trademarks, and similar rights;
- advertising services;
- the services of consultants, engineers, consultancy bureaus, lawyers, accountants, and other similar services, as well as data processing and the provision of information;
- obligations to refrain from pursuing or exercising, in whole or in part, a business activity or a right referred to in this paragraph;
- banking, financial and insurance transactions, including reinsurance, with the exception of the hire of safes;
- the supply of staff;
- the hiring out of movable tangible property, with the exception of all means of transport;
- the provision of access to, and of transport or transmission through natural gas and electricity distribution systems and the provision of other services directly linked thereto;



- telecommunications services;
- radio and television broadcasting services;
- electronically supplied services, such as-
  - website supply, web-hosting, distance maintenance of programmes and equipment;
  - supply of software and updating of the software;
  - supply of images, text and information and making available of databases;
  - supply of music, films and games, including games of chance and gambling games, and of political, cultural, artistic, sporting, scientific and entertainment broadcasts and events; and
  - supply of distance teaching.

### **Time of supply**

A supply of goods or services generally occurs:

- where the goods or services on which input tax has been deducted are applied to own use on the date on which the goods or services are first applied to own use;
- where the goods or services are supplied by way of gift on the date on which ownership in the goods passes or the performance of the services is completed; or
- in any other case, on the earlier of the date on which-
  - the goods are delivered or made available, or the performance of the service is completed;
  - payment for the goods or services is made; or
  - a tax invoice is issued.

The supply of goods under a hire purchase agreement or finance lease occurs on the date the goods are made available under the agreement or lease.

Where goods are supplied under a rental agreement, or goods or services are supplied under an agreement or law which provides for periodic payments, the goods or services are treated as successively supplied for successive parts of the period of the agreement or as determined by that law, and each successive supply occurs on the earlier of the date on which payment is due or received.

### **Value of supply**

The taxable value of a taxable supply is generally the total consideration paid in money or in kind by all persons for that supply. In terms of special rules, the taxable value of a taxable supply:

- of goods under a hire purchase agreement or finance lease is the fair market value of the supply inclusive VAT at the time the supply is made excluding any interest or finance charges;
- of goods under a rental agreement is the amount of the rental payments due or received;
- for reduced consideration is the fair market value of the supply inclusive VAT at the time the supply is made;
- of goods by way of an application to own use is the cost price of the goods.

Where a taxable supply is made without a separate amount of the consideration being identified as a payment of tax, the taxable value of that supply is the total amount of the consideration paid excluding tax.

### **VAT compliance**

#### **Accounting basis and tax period**

Tax periods are periods of one or three months depending on the vendor's circumstances:

- 1 month – compulsory for vendors with annual taxable turnover in excess of E20 million; other vendors may apply;

- 3 months – vendors who do not fall into the 1 month period.

### **Returns and payment of VAT**

VAT returns must be filed by the 20th day after the end of the tax period. The return may be filed electronically.

The SRA has designated bank accounts at all commercial banks into which payment must be made. Payment can be by way of cheque (not exceeding E500 000) cash or internet payment.

### **Penalties**

A person who fails to pay tax when due commits an offence and is liable on conviction to a fine not less than E 2 000, but not exceeding E 6 000, or to imprisonment for a term not exceeding 3 years, or to both.

### **Refunds**

If a payment is not made within 60 business days of the return being received, interest is payable by SRA provided the return was completed correctly, and SRA was not prevented from auditing the refund claim. The interest is 2% per month.

### **Objections and appeals**

A person who is aggrieved with an assessment or certain decisions may lodge an objection in the prescribed form within 30 business days. If the person is dissatisfied with SRA's decision, an appeal may be lodged within 30 business days. Depending on the specific circumstances, an appeal may be dealt with by the Tax Tribunal.

### **Time limits**

The maximum period for the recovery of VAT by SRA is five years. This limitation does not apply where the VAT has already been assessed during the five-year period, the failure to pay VAT was intentional, the responsible person did not act in good faith and any assumption as to VAT liability was not based on reasonable grounds but was due to negligence.

## VAT records

### Tax invoices

A full tax invoice must be issued within 30 days for taxable supplies exceeding E3 000. The tax invoice must be in Swaziland lilangeni and contain the following information:

- the words 'Tax invoice';
- individual serialised invoice number;
- name, address, and VAT registration number of the supplier;
- name, address, and VAT registration number (if applicable) of the recipient;
- date of issue of the invoice;
- quantity or volume of goods or services;
- full and proper description of goods or services supplied; and
- amount charged excluding VAT, VAT charged and amount charged including VAT, or amount inclusive of VAT with a statement to the effect that VAT is included at a specified rate.

If the consideration for the taxable supply does not exceed E3 000, the supplier vendor may issue an abridged tax invoice instead of the full tax invoice. The abridged tax invoice must contain all the information required for a full tax invoice except the name, address, and VAT registration number of the recipient, and the quantity or volume of the goods or services.

### Credit notes and debit notes

Credit and debit notes are issued when the initial consideration for the taxable supply must be adjusted. Credit notes and debit notes must contain the following information:

- the words 'credit note' or 'debit note';
- name, address, and VAT registration number of supplier;
- name, address, and VAT registration number of recipient (only if a full tax invoice was issued for the original supply);
- date of issue of credit note or debit note;
- reason for issuing the credit note or debit note;
- sufficient information to identify the transaction to which the credit note or debit note relates; and
- amount charged, excluding VAT, VAT charged and amount charged including VAT, or including VAT, and a statement that VAT is included and the rate of VAT charged.

A credit note is not required where the terms of a prompt payment discount are clearly reflected on the face of the tax invoice.

A supplier must increase his output tax for the period in which the debit note was issued, and the recipient (if a registered vendor) may increase his input tax to reflect the debit note. Where a credit note was issued, the supplier has an option either to decrease his output tax or to increase his input tax. The opposite applies to the recipient (if registered as a vendor).

### Additional export documentation

Specific documentary requirements have been prescribed by SRA for substantiating the zero-rating of an export, for example:

- the supplier's copy of the zero-rated tax invoice;
- export documentation as prescribed under the Customs and Excise Act;
- proof of payment;
- proof that the exported goods have been received by the recipient outside Swaziland; and
- other specific documents, depending on the mode of transport.

#### Record-keeping

Records must be kept for a period of five years. The originals must be made available in Swaziland if requested by SRA.

#### Specific VAT rules

#### Bad debts

A vendor may claim a deduction if a bad debt has been written off for accounting purposes. If the bad debt is subsequently recovered, output tax must be accounted for. The taxpayer must have taken all reasonable steps to the satisfaction of the Commissioner General in pursuing payment from the person to whom the goods or services are supplied.

### **Accommodation**

The letting of a dwelling to be used as a residence of a natural person is exempt from VAT.

The supply of short-term accommodation, e.g. holiday accommodation in hotels, guest houses etc., is subject to VAT if the supplier is registered as a VAT vendor in respect of this activity. A person who provides such accommodation qualifies for VAT registration only if he has made (or is expected to make) taxable supplies of such accommodation of more than E500 000 per annum. If such accommodation is provided for an uninterrupted period exceeding 45 days, no VAT is charged.

### **Leasing**

If goods are supplied under an 'instalment credit agreement', the supplier must account for output tax on the total cash value excluding any finance charges when the goods are delivered or the first payment is made, whichever time is the earlier.

If goods are supplied under a 'rental agreement', output tax is payable on the full amount of each periodic payment. While VAT is also levied on any finance charges included in the rental, VAT is not payable upfront, but when the instalments are paid.

### **Tourism industry**

The transport of fare-paying passengers by road or railway is exempt. The transport of passengers from Swaziland to a destination outside Swaziland (and vice versa) is zero-rated. The zero rate also applies to the local leg of an international flight. The supply of accommodation and meals (e.g. in hotels) is subject to VAT at the standard rate.

### **Transfer of a business**

If part of a transfer, the supply of goods of a business as a going concern by one taxable person to another taxable person is exempt.

### **Other indirect taxes**

#### **Customs duty**

Customs duty is payable on the importation of goods into Swaziland at the time of entry for home consumption. The rate of duty is often determined as a percentage of the value of the goods (ad valorem) at a rate ranging from 0% to as high as 60%. Additional ad valorem customs duties are levied on a range of luxury items.

Swaziland is a member of the Southern African Customs Union. Import duties are not levied on movements of goods between countries that are part of SACU.

Depending on the origin of the imported goods concerned, preferential tariff treatment may be applied. Furthermore, a number of duty relief schemes are available, depending on the type of customs-related activities in which an importer or exporter engages.

#### **Excise duty**

Excise duty is payable on the following locally manufactured goods with a corresponding customs duty (at the same rate of duty) on imported goods of the same class or kind: Fuel products, tobacco products, malt beer, traditional African beer, spirits (liquor) products, wine, other fermented beverages, and ad valorem products. The rate of excise duty is levied on either an ad valorem or a specific basis (i.e. per litre).

### **Transfer duty**

Transfer duty is payable on the transfer of immovable property. The following rates apply:

- if the value of the property is less than E40 000: 2%;
- if the value of the property exceeds E40 000 but is less than E60 000: 4%;
- if the value of the property exceeds E60 000: 6%.

#### **Securities transfer tax**

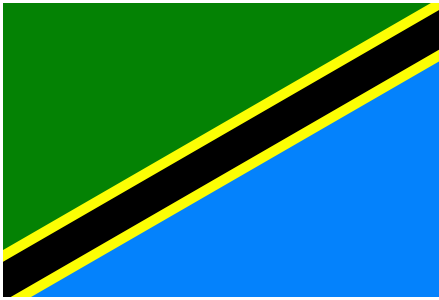
Securities transfer tax is charged on the transfer of listed and unlisted securities, at the rate of 1.5% of the taxable amount (i.e. the purchase consideration unless a special rule applies) in respect of any transfer of a security.

### **General fuel levy and Road Accident Fund levy**

The general fuel levy and the Road Accident Fund levy are payable on the sale of petrol and diesel. No VAT is payable on fuel levy goods.



# Tanzania



## Introduction

VAT became effective in Mainland Tanzania on 1 July 1998 when the VAT Act No. 24 of 1997 came into force. In Zanzibar, VAT became effective on 1 January 1999. While this section sets out the law prevailing on the Mainland, the law in Zanzibar started essentially the same but evolved differently over the years.

VAT is administered by the Tanzania Revenue Authority (TRA) in Mainland Tanzania, and in Zanzibar by the Zanzibar Revenue Board (ZRB).

## Rates and scope

The standard rate of VAT is 18%. There is no higher or reduced rate (except for the zero rate).

VAT is charged on any supply of goods or services made in Mainland Tanzania where it is a 'taxable supply' made by a 'taxable person' in the course or furtherance of any business carried on by him. VAT is also chargeable on the importation of taxable goods and services.

## VAT registration

### Compulsory registration

A 'taxable person' is a person who is, or is required to be, registered for VAT. The requirement to register for VAT arises where taxable turnover exceeds, or is likely to exceed, in Tanzanian Shilling:

- TZS40 million (approximately USD25 000) in a period of 12 consecutive months; or

- TZS10 million (approximately USD6 250) in a period of three consecutive months.

Once either of these criteria is satisfied, the person is obliged to register within 30 days.

The value of taxable imported services is taken into account for the purposes of determining whether registration is required. Businesses that make no taxable supplies but that import services with a value exceeding the threshold are also obliged to register.

The Commissioner is also empowered to register persons on the grounds of national economic interest or for the protection of revenue. This provision is also used to register investors whose projects have not yet commenced production (registered as 'intending traders').

### Voluntary registration

Application for registration may be made in advance of any requirement to do so, but is allowed only at the Commissioner's discretion.

### Group or branch registration

Group registration for companies is not allowed in Tanzania.

Where a taxable person carries on a business in several divisions or branches, it may be registered in the names of those divisions or branches if the Commissioner approves a request by the company to do so.

If taxable supplies are made in Zanzibar, a separate 'branch' registration in Zanzibar is required.





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### Non-residents

To obtain a VAT registration, a non-resident business must obtain a local business licence and a taxpayer identification number (TIN). To obtain these, the non-resident business must first open an income tax file with the TRA. The appointment of a fiscal representative is optional. A bank account is not required for VAT registration.

### Application for registration

Registration is applied for on form VAT101, which is obtained from and returned to the TRA office, locally to the principal place of business or online from the TRA's website. Application must be lodged within 30 days of the business becoming liable to make the application, but may be made in advance of any requirement to do so.

The interest and penalties for late registration or failure to register are as follows:

- For the first month, the greater of TZS50 000 or 1% of the VAT due for that month;
- For each subsequent month, the greater of TZS100 000 or 2% for each further month late, for each missing return; and
- Interest on late payment of VAT charged at the central bank lending rate plus 5%.

If criminal prosecution is pursued, a fine of TZS200 000 and/or two to 12 months' imprisonment may be imposed on conviction.

The registration number format for resident and non-resident businesses is the same, namely, two digits-six digits A, for example 99-999999 A.

### Deregistration

If a person ceases to be liable to be registered, either through cessation of trading or because the turnover falls below the registration threshold, he must notify the Commissioner within 30 days, and make application to be deregistered. Deregistration may also be initiated by the TRA where it sees fit. VAT must be accounted for on all stock and assets on hand at deregistration, unless the business is the subject of a transfer of a going concern, or the VAT involved is less than TZS5 000.

### Output tax

Advertised prices must be stated inclusive of VAT. Output tax is calculated on the taxable value of the supply.

### **Exempt supplies**

Supplies that are exempt from VAT and in respect of which the supplier cannot make a deduction of input tax include (but are not limited to):

- Certain unprocessed foods, crops and livestock;
- Pesticides and fertilisers;
- Health supplies;
- Educational supplies;
- Veterinary supplies;
- Books and newspapers;
- Passenger transport, excluding air charter, taxi cabs, rental cars, boats and boat charters;
- Land and certain residential housing;
- Finance and insurance;
- Water;
- Payments by employees and employers as contribution to a social security fund or scheme;
- Funeral services;
- Petroleum products (including aviation spirit, jet fuel, liquid petroleum gas (LPG) and LPG cylinders, petrol, diesel, kerosene, heavy furnace oil, industrial diesel oil, AVGAS and bitumen);
- Agricultural services and implements;
- Tourist services;
- Postal supplies;
- Aircraft and certain supplies thereof, including leasing of aircraft;
- Fishing gear;
- Games of chance;
- Computers;
- Solar energy appliances and wind-powered energy appliances;
- Fire-fighting equipment;
- Burning jelly;
- Natural gas and equipment;

- Certain dairy equipment, including packing material;
- Agricultural services relating to land preparation and the cultivation, planting and harvesting of crops;
- Supply of mobile phone cards from a dealer, other than a mobile service provider himself, to the user of the mobile phone; and
- Supply of crude edible oil.
- Zero-rated supplies
- Supplies that are zero-rated, in respect of which the supplier may claim input tax deductions, include (but are not limited to):
- Exports of goods and certain taxable services;
- Supply of goods for consumption or duty-free sale on ships and aircraft on journeys to destinations outside Tanzania;
- Transport of goods in transit and ancillary transport services in connection with goods in transit;
- Various specified services for foreign-going ships and aircraft;
- Supply by a local manufacturer of various agricultural implements, fertilisers, pesticides, etc.;
- Supply by a local manufacturer of fishing nets and accessories;
- Supply by a local manufacturer of human and veterinary medicine, drugs and equipment designed for use by the blind or disabled, mosquito coils and sanitary pads;
- Supply of locally manufactured sacks; and
- Supply of edible oil by a local processor of edible oil using local oil seeds.

### **Special relief supplies**

Supplies to or imports by designated categories of person are entitled to 'special relief' from the VAT that would otherwise be charged. The relief to these persons is either at 100% (full relief) or 45% (partial relief). The relief is conditional on certain procedures being followed.

The designated categories of person include (but are not limited to):

- Diplomats or diplomatic missions;
- Projects funded under technical aid or by donors;
- Personal effects of travellers or deceased;
- Medical practitioners, opticians, dentists, hospitals, clinics or veterinary practitioners and goods used by manufacturers of human medicine (45% relief);
- Mineral exploration or prospecting companies;
- Petroleum and gas exploration and prospecting companies;
- Religious organisations, charities or non-profit organisations;
- Water or sewerage authority;
- Spectacle lens manufacturers;
- Investors licensed under the Export Processing Zones Act, 2002;
- Importation and supplies to investors in the special economic zones of materials and goods of a capital nature directly related to manufacturing;
- The importation by, or supply to, a local textile manufacturer, of goods or services that are exclusively used in the manufacturing of textile by using locally grown cotton;
- Water drilling companies, of goods to be used solely for water drilling (45% relief);
- Anyone importing/purchasing capital goods, greenhouses or railway locomotives;
- Bank of Tanzania (45% relief); and
- Importation of ethanol, dyestuff and thickening by manufacturers of burning jelly (45% relief).

### **Input tax**

#### **Input tax allowed**

VAT incurred on goods and services supplied to a taxable person for the

purposes of a business carried on or to be carried on by him, relating to taxable supplies made or to be made by him, may be deducted as input tax.

A business that makes only exempt supplies cannot register for VAT and cannot claim any input tax.

Input VAT which would otherwise qualify for input tax deduction is not deductible if no fiscal receipt is held at the time the deduction is claimed, or if the fiscal receipt is dated more than six months before the deduction is claimed.

### **Input tax expressly denied**

The following supplies are specifically denied input VAT deduction:

- ‘Motor cars’ as defined in the legislation; and
- Business entertainment, unless the business either carries out entertainment in the normal course of its business, or the costs relate to the provision to staff of food, accommodation and non-alcoholic beverages for exclusive business use.

### **Partial exemption**

If a business makes both exempt supplies and taxable supplies, it is said to be ‘partially exempt’. The amount of input tax it may reclaim will be restricted to that related to its taxable supplies. There are two methods set out in regulations to calculate this amount:

#### **Method 1 (Average method)**

Under this method, the deductible input tax is calculated under the apportionment formula, where:

- The numerator is the total value of all zero-rated and standard-rated supplies (VAT-exclusive); and
- The denominator is the total value of all zero-rated, standard-rated (VAT-exclusive) and exempt supplies.

#### **Method 2 (Direct attribution)**

All VAT that is directly and wholly attributable to taxable supplies may be deducted in full as input tax.

Any VAT that is directly and wholly attributable to exempt supplies may not be deducted.

The residual input tax is the VAT that cannot be wholly attributed to either taxable or exempt supplies. The deductible input tax portion is calculated by reference to the proportion of taxable sales to total sales.

Taxpayers may choose either of the above methods, but the method chosen must be used for the whole accounting year. At the end of the year, the input tax claim is recalculated on the basis of the whole year, using the method chosen, and any adjustments are made on the next VAT return.

### **Adjustments**

No change-of-use adjustments are required or allowed in Tanzania.

#### **Pre-registration and post-deregistration VAT**

VAT incurred on goods and services purchased for the purposes of the business up to six months prior to registration may be deducted. In the case of goods, they must be in the possession and ownership of the taxable person at the date of registration.

Repayment of tax incurred on services up to six months after deregistration may be claimed if those services were received for purposes that are directly connected with the reason the registration was cancelled.

## **International trade**

### **Imports**

#### **Goods**

VAT is chargeable at importation on all goods that are not exempt from VAT, do not qualify as capital goods, or are ineligible for special relief. The value for VAT is the CIF value plus any customs and/or excise duty. There is no VAT deferment scheme. VAT, if applicable, must be paid before the goods are released by Customs.

#### **Services**

The reverse charge applies to all services which would be taxable if supplied in Tanzania, when supplied from outside Tanzania to a recipient who is a resident of Tanzania.

The recipient of the services, if registered for VAT, must account for VAT on the value of the imported services, when the service is performed or completed, an invoice is issued, or any payment is made, whichever is the earlier. The VAT is deductible as input tax subject to the normal rules, and any restriction imposed by a partial exemption method. Recipients of imported services who are not otherwise registered for VAT will become liable for registration if they import taxable services to a value of over TZS40 million in any 12-month period.

### **Exports**

#### **Goods**

Exports of goods are zero-rated. This applies whether goods are standard-rated or exempt when supplied for domestic consumption. Zero-rating is applicable only to the actual exporter, and not to any preceding transactions. Zero-rating is conditional on satisfactory proof of exportation being produced to TRA if required. Foreign companies without a VAT registration in Tanzania cannot get a refund of Tanzania VAT.

With effect from 1 January 2012, a VAT refund will be available for VAT paid by foreigners leaving Tanzania through the Julius Nyerere and Kilimanjaro International Airports, provided:

- The person submits the original fiscal receipts received at the time of purchasing the goods;
- The purchase made was for not less than TZS400 000;
- The goods purchased have not been used or any seal on them has not been broken; and
- The refund claim is submitted within a period not exceeding six months from the date of purchase.

### Services

Only the following services qualify for zero-rating, subject to documentary proof acceptable to the Commissioner:

- The supply of services and ancillary services relating to cultural, artistic, sports, scientific, educational and entertainment fairs and exhibitions, including the supply of services of organisers of such activities, but only when such services are physically carried out outside Tanzania;
- The supply of services relating to the valuation of and work on movable tangible property, but only when such services are physically carried out outside Tanzania;
- The supply of ancillary transport activities such as loading and unloading, handling and similar activities, but only when such services are physically carried out outside Tanzania;
- The supply of certain specified services connected with immovable property, but only when the immovable property is located outside Tanzania;
- The supply of services rendered by an intermediary acting in the name

and on behalf of another person when the underlying transaction is supplied outside Tanzania;

- The supply of services of consultants, engineers, lawyers, accountants and other similar services, as well as data processing and the provision of information, but only when such services are supplied to a person other than a related person who is established or has his permanent address or usually resides outside Tanzania, provided that such services are not related to a business established or to be established in Tanzania; and
- The supply of telecommunication, radio and television broadcasting services, but only if the effective enjoyment of such services takes place outside Tanzania.

### Place, time and value of supplies

#### Place of supply

Goods are deemed to be supplied in Mainland Tanzania if their supply:

- Does not involve their removal from or to Mainland Tanzania; or
- Involves their installation or assembly at a place in Mainland Tanzania to which they are removed.

Goods are deemed to be supplied outside Mainland Tanzania if their supply involves their installation or assembly at a place outside Mainland Tanzania to which they are removed.

Services are deemed to be supplied in Mainland Tanzania if the supplier of the service has the following:

- A place of business within Mainland Tanzania and nowhere else;
- No place of business in Mainland Tanzania or elsewhere but his usual place of residence is in Mainland Tanzania; and

- Places of business in Mainland Tanzania and elsewhere, but the place most concerned with the supply is in Mainland Tanzania.

#### Time of supply

The time at which a supply of goods or services is treated as taking place, and hence the date on which the tax on the supply becomes chargeable, is called the 'tax point'. The rate of tax to be charged is the rate in force at the tax point, and the supply must be accounted for in the return period in which the tax point occurs.

For goods, the time of supply is the earlier of:

- If the goods are to be removed, the date of removal;
- If the goods are not to be removed, the date they are made available to the customer;
- The date a fiscal receipt is issued; or
- The date payment is received for all or part of the supply.
- For services, the time of supply is the earlier of:
- The date the service is performed or rendered;
- The date a fiscal receipt is issued; or
- The date payment is received.

In the case of a metered service, where there is no recognisable completion date, a tax point occurs each time the meter is read, a fiscal receipt is issued or payment is received, whichever happens first.

For imports of goods, VAT must be paid at the time the customs duty is payable.

#### Value of supply

If the supply is for monetary consideration, the value of the supply is taken to be the taxable consideration.

If the consideration is not monetary or only partly monetary, the value of the supply is the open-market value. Open-market value is deemed to be the value that the goods or services would fetch in the ordinary course of business, where the supplier and purchaser are not connected. In this respect the law assumes that:

- The goods have been delivered;
- The recipient will bear the cost of freight, insurance and other costs incidental to the supply and delivery of the goods;
- The supplier will bear any duty or tax; and
- The value covers any right to use any patent, design or trademark in respect of the supply.

Where there has been a fraudulent act or omission, anti-avoidance provisions give the Commissioner the power to amend any value used.

## VAT compliance

### Accounting basis and tax period

VAT returns are filed every month at the TRA offices and can also be filed electronically.

A taxable person is required to record each supply made and account for VAT on it at the time of supply (i.e. in the month in which the supply took place). The accounting for input tax is based on the accrual principle (i.e. upon the receipt of the fiscal receipt).

### Returns and payment of VAT

A VAT return on the prescribed form VAT 201 must be lodged with any VAT payment due or claim to repayment, by the last business day of the month following the month in which the relevant transactions were incurred, known as the prescribed accounting period. Payment can be made in cash, by cheque or by a bank transfer. Direct bank transfer is allowed, provided proof of payment is enclosed with the return.

VAT on imported taxable goods is payable at the time customs duty is payable. Where the imported goods are capital goods as defined in the Customs tariff, special relief is allowed if certain procedures are followed.

## Interest and penalties

### Late lodgement of returns

A penalty of TZS50 000 or 1% of the VAT due for the first month, then TZS100 000 or 2% for each further month late, is levied for each missing return.

If criminal prosecution is pursued, a fine of TZS500 000 and/or two to twelve months' imprisonment may be imposed on conviction.

### Failure to pay tax

Interest is charged at the Central Bank lending rate plus 5%. If criminal prosecution is pursued, a fine of TZS500 000 and/or two to twelve months' imprisonment may be imposed on conviction.

Interest will be charged even if there is no loss to the State. However, the Commissioner does have the power to remit interest.

### Refunds

At the end of a six-month period commencing with the return when a repayment first became due, taxpayers may apply for the refund of any accumulated or residual credit. A taxpayer in a regular repayment situation, defined as one who over a six-month period is in a net credit situation, can apply for repayments to be made on a monthly basis. All refund claims must be examined by a registered auditor, who will issue a 'certificate of genuineness'. There is a three-year time limit for lodging VAT refund claims. In theory, interest should be paid to the taxpayer if properly submitted claims for refund are not repaid within 30 days.

If a business does not wish to make a claim, it can elect to carry forward excess VAT credits for offset against future payments.

## Objections and appeals

If an objection to a VAT assessment is to be lodged, it must be lodged with the Commissioner-General within 30 days from the date of the assessment.

If the assessment is not resolved and TRA confirms the assessment and the taxpayer wishes to dispute the assessment, he must lodge a notice of intention to appeal with the Tax Revenue Appeals Board within 30 days, and a statement of the ground for appeal within 45 days from the date of the notice of confirmation of the assessment. This same appeal process must be followed in any case where the taxpayer wishes to dispute the TRA's calculation of the amount due for refund or the refusal to make a refund.

A taxpayer can appeal against the decision of the Appeals Board to the Tax Revenue Appeals Tribunal. A notice of intention to appeal must be lodged within 30 days from the date of the Board's ruling and a statement of the grounds for appeal must be submitted within 15 days of lodging the notice of intention to appeal. A taxpayer can appeal against the decision of the Tax Appeals Tribunal to the Court of Appeal of Tanzania.

## VAT records

### Electronic fiscal device

Businesses registered for VAT are required to use an electronic fiscal device (EFD) to record their daily supply of goods and services and issue a fiscal receipt or invoice for each transaction.



### **Fiscal receipt**

The fiscal receipts generated by EFD must have the following contents:

- The words ‘start of legal receipt’ at the top and ‘end of legal receipt’ at the bottom;
- The name, address, VAT registration and TIN of the user of the registered device;
- The name, address, VAT registration and TIN of the purchaser;
- The identification number of the device;
- The name, quantity, unit price, item description, tax rate chargeable and value of the recorded sale of goods or services;
- The tax amount payable;
- Discounts, mark-ups, changes or corrections;
- The date and time of issue of the receipt;
- The total amount payable, tax inclusive;
- Daily ascending serial number for a legal fiscal receipt; and
- The fiscal logo.

### **Fiscal invoice**

The fiscal invoice generated by EFD must have the following contents:

- The name, address, VAT registration and TIN of the user of the registered device;
- The name, address, VAT registration and TIN of the purchaser;
- The identification number of the device;
- The name, quantity, unit price, item description, tax rate chargeable and value of the recorded sale of goods or services;
- The tax amount payable;
- Discounts, mark-ups, changes or corrections;

- The date and time of issue of the invoice;
- The total amount payable, tax-inclusive;
- Daily ascending serial number for a legal fiscal invoice; and
- An electronic signature after the end of the business transactions.

Although electronic fiscal receipts and invoices may be issued, hard copies of these must be made available for inspection. The TRA also requires the purchaser to hold the original fiscal receipt or invoice. Foreign languages may not be used on the fiscal receipt or invoice. Invoicing may be done in a foreign currency, but a TZS equivalent and VAT amounts should also be shown.

### **Credit notes and debit notes**

Credit notes may be issued if a supply is cancelled, the goods are returned to the supplier, the value of the supply is reduced, or there is a bad debt (and the Commissioner is satisfied that such a debt is bad). Credit notes must contain all the information required for a fiscal invoice or receipt, and must also state the amount of credit and the reason for it. Debit notes are issued if the amount of tax originally invoiced is found to be understated.

### **Additional export documentation**

Exporters who claim refunds of VAT must provide certificates of landing in respect of their sales.

### **Record-keeping**

Records must be kept for a period of five years. Records may be kept outside Tanzania, but must be made available for inspection in Tanzania when required. Records may be kept in electronic form, but hard copies must be made available for inspection.

## **Specific VAT rules**

### **Land and buildings**

The sale or lease of an interest in land is exempt from VAT. The sale of used property and lease of most residential accommodation is standard-rated. The sale or lease of commercial or non-residential property, whether new or used, is standard-rated.

### **Leasing**

An operating lease is a standard-rated supply of a service. VAT is chargeable (and deductible) on the periodic leasing payments. Finance leases are treated as the immediate sale of goods. The supplier accounts for VAT on the full value of the goods at the time they are made available to the customer, and this may be deducted by the purchaser, subject to the normal rules. If the subject of the transaction is a car, input tax deduction is blocked.

The leasing of aircraft is exempt for VAT purposes.

### **Promotional gifts**

Gifts of goods are taxable supplies. VAT should be accounted for at the open-market value. There is no de minimis limit for business gifts, nor any concessions for business promotion schemes.

### **Second-hand goods**

VAT is chargeable on the sale of second-hand goods, unless the items are exempt from VAT or are ‘motor cars’, as defined. Exports of second-hand goods also qualify for zero-rating.

### **Tourism industry**

Tourist services such as tourist guiding, game driving, water safaris, animal or bird watching, park fees, tourist charter services and ground transport are exempt for VAT purposes. However, this does not include the provision of food and accommodation.

### **Transfer of a business**

No VAT is chargeable and no input tax is deductible on transactions that qualify as the transfer of a going concern. The Commissioner must be notified of such a transfer within 30 days of the transfer taking place.

### **Other indirect taxes**

#### **Customs duties**

Customs duty is charged on imports at rates of 0%, 10% and 25%, based on a common external tariff for the East African community. The import of goods from one East African country to another is free from customs duty, subject to satisfaction of rules of origin. The top rate of 25% applies to consumer goods. The East African Community Customs Management Act, 2004, governs the customs duty rates and their application.

#### **Excise duties**

Excise duties are chargeable on petroleum products, beer, wine, spirits, soft drinks, mineral and bottled water, juices, tobacco and tobacco products, electronic communication service, money transfer, satellite and cable TV, motor vehicles over 1 000 cc in engine size, various cosmetics, handbags, yachts and other vessels for pleasure, imported furniture and firearms.

### **Fuel levy**

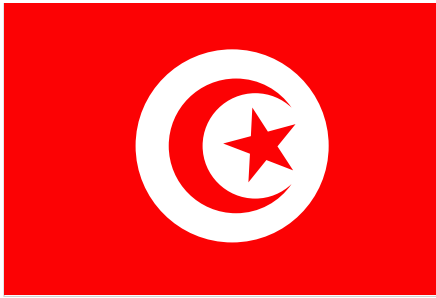
A fuel levy is charged on petroleum products at a rate of TZS263 per litre.

### **Stamp duty**

Stamp duty is chargeable on certain prescribed instruments, including conveyances, leases, transfers of shares, and the issue and transfer of debentures.



# Tunisia



## Introduction

VAT is levied under the Tunisian VAT Code and is due on all transactions taking place in Tunisia. VAT was introduced in June 1988 to replace the existing tax on production, the consumption tax and the tax on services, in force from 1955.

## Rates and scope

The standard rate of VAT is 18%. Lower rates of 6% and 12% apply to specifically designated operations.

Some operations, products or services are out of the scope of VAT in Tunisia and some others are expressly exempt from VAT. Some goods and services may be acquired VAT free, based on a certificate delivered for the purpose by the relevant tax authorities. This exemption is granted mainly to wholly exporting companies, oil and gas companies, and their contractors and subcontractors.

Unless expressly exempt, transactions that take place in Tunisia relating to commercial operations other than sales (sale operations subject to VAT are expressly designated), industrial and artistic operations, and independent personnel services are subject to VAT. This is regardless of the targets, the results and the legal status of the persons conducting the relevant operations and regardless of their liabilities for other taxes.

## VAT registration

### Compulsory registration

The following persons are liable for compulsory registration:

- Individuals and companies carrying out transactions that are subject to VAT;
- Individuals and companies mentioning, by mistake, VAT on their invoices, despite the fact that they are not subject to VAT. However, these individuals and companies are to be considered as subject to VAT only in respect of the relevant operations;
- Individuals and companies that opt to be liable for VAT;
- Entities affiliated to companies subject to VAT, regardless of their legal form; and

- Persons storing alcoholic drinks and wholesalers of wine and alcoholic drinks.

Persons liable for VAT can be either totally or partially subject to VAT.

### Voluntary registration

Voluntary registration is allowed where persons:

- Carry out activities that are outside the scope of the Tunisian VAT. In this case, the option has to be a full option, which means that all the activities carried out by these persons will be subject to VAT; or
- Carry out operations that are exempt from VAT and that are destined for export, or supply products and services that are exempt from VAT to persons liable to VAT. In this case, the option may be a partial or a full option.



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### Group and branch registration

The branch or the subsidiary must register for VAT with the Tax Department, regardless of its liability for VAT, in order to obtain a tax identification number that shows the status of the registrant in regard to VAT. The registration must be made prior to starting any activity.

### Non-residents

In case VAT is due on a transaction invoiced by an entity that is neither resident nor established in Tunisia, VAT will be withheld at source by the Tunisian entity and paid on behalf of the non-resident, non-established entity in Tunisia to the Tunisian Government within 28 days following the end of the month during which the transaction took place.

The entity not established in Tunisia that carried out a transaction liable to VAT in Tunisia may file a return with the Tunisian tax authorities in order to deduct the input VAT on

the purchase of goods and services necessary for the realisation of the transaction subject to VAT in Tunisia from the amount of the VAT due in Tunisia on that transaction, and which was withheld at source by the Tunisian client.

### Application for registration

A written application is to be filed with the relevant tax authorities by newly created enterprises before starting any activity. In case of voluntary registration, the application may be submitted at any time during the tax year (most of the time the tax year coincides with the calendar year) and the option becomes effective from the first day of the month following the one during which the optional registration is accepted by the tax authorities.

The registrant must remain subject to VAT for a four-year period starting from the day the option becomes effective (see above) until 31

December of the fourth year following the one during which the registration for VAT took place. No deregistration is possible during this period.

In case of deregistration, a written request is to be filed with the relevant tax authorities three months before the expiry of the four-year period. Failing that, the registration will be tacitly renewable for four years each time.

### Deregistration

Deregistration is not possible in the case of compulsory liability for VAT. In case of voluntary registration, the deregistration is to be made by a written application to be filed with the relevant tax authorities within the three months before the end of the four-year registration period.

## Output tax

Output VAT is calculated on the basis of the amount of the invoice, excluding VAT. The VAT rate to be applied depends on the nature of the goods or services to be provided.

## Exempt supplies

The VAT exemptions include, but are not limited to:

- Retailing of foodstuffs, medicines, pharmaceuticals and products that are subject to the government homologation of prices;
- Education services and certain IT training services;
- Books, brochures and similar products (other than those made with leather);
- Certain agricultural products and equipment;
- Aircraft intended to be used in public air transport, and related equipment;
- Air and shipping transport, country-collective transport;
- Bank interest derived from deposits; and
- Sale by a property developer of apartment buildings exclusively intended for residential purposes.

VAT exemptions also apply to sales defined as exports, which means sales of goods and services to entities not located in Tunisia, as well as sales to wholly exporting entities governed by the Incentives Investment Code, to companies based in free zones, to offshore banks and to certain other entities benefiting from a VAT exemption.

## Zero-rated supplies

The zero rate does not apply in Tunisia.

## Input tax

### Input tax allowed

Individuals and companies that are subject to VAT may deduct the input VAT incurred on the purchase of goods and services necessary to carry out activities subject to VAT.

### Input tax expressly denied

VAT incurred on the following expenses may not be deducted as input VAT:

- Purchases of passenger cars other than those that constitute the main activity of the business;
- Expenses related to the functioning or maintenance of passenger cars;
- VAT unduly charged (charged by mistake by a supplier who is not liable for VAT);
- VAT mentioned on invoices that do not comply with the VAT requirements, i.e. invoices that do not mention the compulsory information, such as the amount excluding VAT, rate and amount of the VAT, amount including VAT and the name and address of the client; and
- VAT due on transactions whose amount exceeds 20 000 TND and are paid in cash. However, the limit of 20 000 TND is reduced to 10 000 TND for the fiscal year 2015 and to 5 000 TND as from the fiscal year 2016.

### Partial exemption

Partial exemption applies if the company is carrying on two or more activities and one or several activities are not subject to VAT. In this case, the input VAT to be deducted is a portion of the whole input VAT incurred. This portion is calculated by multiplying the total amount of the input VAT by a quotient where:

- The numerator is the total amount of the turnover subject to VAT plus the turnover realised from exportation, plus the turnover realised from sales made to persons allowed to acquire goods and services necessary for their activities VAT-free, based on a certificate issued by the tax authorities, plus the turnover realised from international air transportation, increased by the theoretical VAT; and
- The denominator is the total amount of the numerator increased by the turnover realised from sales exempt from VAT and sales outside the scope of VAT.

## Adjustments

During the course of the year, the company deducts the input VAT on a pro rata basis (as described above). The quotient applied is calculated by using the data of the previous year. At the end of the current year, the company must calculate the quotient to be applied and corresponding to that year. If the difference exceeds 5%, the company must adjust the input VAT.

## International trade

### Imports

The importation of goods and services is subject to VAT.

### Exports

The exportation of goods and services is not subject to VAT. VAT exemption applies to sales defined as exports, which means sales of goods and services to entities which are not located in Tunisia, as well as sales to wholly exporting entities governed by the Incentives Investment Code, to companies based in free zones, to offshore banks and to certain other entities benefiting from a VAT exemption.



VAT charged on goods bought by non-resident individuals (tourists) may be refunded.

### **Place of supplies**

The sale of goods is considered as taking place in Tunisia and thus subject to VAT if the goods sold are delivered in Tunisia.

The sale of services is considered as taking place in Tunisia and thus subject to VAT if the services sold are consumed or used in Tunisia.

## **VAT compliance**

### **Accounting basis**

The Tunisian accounting legislation is based on an accrual principle. The VAT is accounted for and declared during the month during which the expense or the revenue is incurred or realised, notwithstanding the disbursement of the receipt date.

### **Returns and payment of VAT**

The VAT is declared and paid on a monthly basis.

### **Refunds**

If the input VAT exceeds the output VAT, the VAT credit resulting from the difference may be reimbursed on the basis of a written request made to the tax authorities.

The VAT credit is refundable if it arises from:

- Exportation operations of goods and services, sales made to clients allowed to acquire goods and services VAT-free, and withholding tax on the remunerations paid to companies that are neither resident nor established in Tunisia or remunerations paid by the government, local authorities or public establishment – such VAT credit is refundable if it is shown at least in one monthly tax return;

- Investments destined for the carrying out of new projects as provided for in the Tunisian Incentives Investment Code – such VAT credit is refundable if it is shown in at least three successive monthly tax returns;
- Suspension of activity – such VAT credit is refundable after a tax audit; and
- Other operations – such VAT credit is refundable if it is shown in at least six successive monthly tax returns.
- In order to benefit from the refund of the VAT credits, the taxpayer has to file supporting documents such as declarations relating to exportation of goods, documents proving that the service rendered by the Tunisian taxpayer was used or consumed outside Tunisia, authorisations to sell VAT-free, and withholding tax certificates. Further, the taxpayer must already have submitted all his tax returns and paid all taxes due at the time of submission of the request for a refund and at the date of the notification of the refund decision made by the tax authorities.

The VAT credit is to be reimbursed within:

- Seven days if it arises from exportation operations of goods and services;
- 30 days if it arises from sales made to clients allowed to acquire goods and services VAT-free, withholding tax on VAT, upgrading investment or investments destined to carry out new projects as provided for in the Tunisian Incentives Investment Code;
- 60 days if it arises from companies whose accounts are legally subject to statutory audit, as long as the certification of its accounts has no reserves affecting the tax basis; and
- 120 days if it arises from other cases.

An advance payment of 15% of the VAT credit is to be paid to the taxpayer as soon as he presents the request for refund if the VAT credit arises from operations other than export, suspension of activity and operations of companies that are neither resident nor established in Tunisia. This rate is to be increased to 50% if the taxpayer is a company whose accounts are legally subject to statutory audit, as long as the certification of its accounts has no reserves affecting the tax basis.

### **Time limits**

The taxpayer may claim for the VAT credit within three years, calculated from the date from which the VAT becomes refundable.

### **Interest and penalty**

Delay penalties are due at the rate of 0,5% in the case of spontaneous payment and 1,25% in the case of tax audit. This latter rate is reduced by half in the case of cash payment.

### **Tax invoices**

A proper tax invoice should include:

- Name, address and tax identification of the supplier;
- Name, address and tax identification of the client;
- Designation of the goods or services;
- Transaction date; and
- The amount excluding VAT, the VAT rate, and the VAT amount.

## **Specific VAT rules**

### **Bad debts**

VAT related to bad debts (irrecoverable invoices) can be neither deducted nor refunded.

### **Land and buildings**

The sale by a property developer of buildings exclusively destined for housing is VAT exempt. The same rule applies to the rent of non-equipped houses.

### **Leasing**

Leasing operations are subject to VAT. Leasing companies deduct, as input VAT, the VAT due on the purchase of the goods leased. The output VAT is calculated on the basis of the whole amount paid by the lessee (principal and interest).

### **Second-hand goods**

If a person acquires second-hand goods:

- The seller has to reimburse the VAT initially deducted or the theoretical VAT which would have been paid in case of a purchase based on a certificate delivered by the tax authorities, decreased by a fifth (1/5) per calendar year of detention if assets are constituted by equipment and materials, and decreased by a tenth (1/10) per calendar year of detention if the assets are constituted by constructions and buildings, but in other cases, the VAT is to be reimbursed in full; and
- The purchaser deducts the amount reimbursed by the seller, provided that the invoice shows the amount of the VAT paid back by the latter.

### **Small retailer scheme**

Retailers realising a turnover exceeding (in Tunisia Dinar) TND100 000 (USD60 600) are subject to VAT. However, the sales made by retailers of the following products are exempt from VAT: food, medicines and products the sale price of which is fixed by the Tunisian State.

Retailers have to maintain registers in which they register, on a day-to-day basis, their purchases (the nature of the goods, price excluding VAT, rate and amount of VAT, etc.) and their turnover.

Retailers are allowed to issue, by the end of the business day, one single invoice for all the sales made during the day, as it is difficult in practice to issue an invoice for each customer.

## **Other indirect taxes**

### **Registration tax**

The registration of some operations is compulsory. In these cases, the registration fees are expressly determined by the Registration Fees and Stamp Duties Code, whereas the registration remains optional for certain operations. In case of optional registration, the registration fees due to be paid are equal to 20 dinars per page.

In case of compulsory registration, the due fees depend on the nature of the transaction and the goods involved.

### **Stamp duty**

Companies have to charge a stamp duty of TND 0,400 on each issued invoice, unless the customer is expressly exempt.



# Uganda



## Introduction

VAT was introduced in Uganda with effect from 1 July 1996 to replace sales tax. VAT is charged in accordance with the provisions of the VAT Act, Cap. 349.

The Uganda Revenue Authority (URA), the head of which is the Commissioner-General, administers the VAT system.

## Rates and scope

The standard rate of 18% applies to all supplies that do not qualify for an exemption, except for the zero-rated supplies.

The following transactions are subject to VAT:

- Taxable supplies of goods or services made by a taxable person; and
- Importation of goods or services (other than an exempt import or services) by any person.

## VAT registration

### Compulsory registration

The annual registration threshold for domestic supplies is Uganda Shillings (UGX) 50 million (approximately USD20 000).

Applications for registration for VAT must be made by all persons carrying on existing business activities whose annual taxable turnover exceeds or is expected to exceed UGX50 million in a 12-month period or UGX12.5 million in a three-month period.

A person who fails to register is liable for a penalty equal to double the amount of tax payable during the period that no application for registration is filed, or that registration by the Commissioner-General has not yet taken place.

### Voluntary registration

Persons carrying on a taxable activity, whose expected turnover is below the annual registration threshold UGX50 million, may register voluntarily.

Prior to 1 July 2011, an application could be made for registration under the Investment Trader Status scheme, before taxable supplies are made. The Investment Trader Status scheme was revoked with effect from 1 July 2011.

Any person that is a national, regional, local or public authority or body that carries on taxable activities may voluntarily register without regard to the threshold requirement

of UGX50 million, subject to the fulfilment of certain conditions.

### Group or branch registration

Separate registration is needed for the different entities in a business group, as group registration is not provided for in the law.

In addition, the law does not provide for registration of separate branches or divisions of the same business. All the transactions are aggregated and filed as one entity.

### Non-residents

Effective 1 July 2011, amendments were introduced with regard to the place of supply of services. A supply of services is now deemed to have taken place in Uganda if the business of the supplier from which the services are supplied is in Uganda. Notwithstanding the above, the supply of services takes place



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in Uganda if the recipient is not a taxable person and:

- The services are physically performed in Uganda by a person who is in Uganda at the time of the supply;
- The services are in connection with immovable property in Uganda;
- The services are radio or television broadcasting services received at an address in Uganda;
- The services are electronic services delivered to a person in Uganda at the time of the supply;
- The supply is a transfer, assignment or grant of a right to use a copy right, patent, trademark or similar right in Uganda; and
- The services are telecommunication services initiated by a person in Uganda,

other than a supply initiated by a supplier of telecommunications services; or a person who is roaming while temporarily in Uganda.

Where the non-resident provides services to non-registered persons in Uganda and they are in the categories above, then such services are classified as having been supplied in Uganda. The non-resident is required to register for VAT subject to the turnover conditions. A non-resident who is required to apply for registration but who does not have a fixed place of business in Uganda must appoint a VAT representative in Uganda within 30 days after being required to apply. If the non-resident does not appoint the agent, the Commissioner may do so on behalf of the non-resident. The agent should be ordinarily resident in Uganda.

The agent would be responsible for all the VAT obligations of the non-resident and would be jointly and severally liable for payment of all taxes, fines, penalties and interest imposed on the non-resident under the VAT Act.

Accounting for VAT on imported services continues to be the responsibility of the importer of the services where the services imported into Uganda are not covered by the above rules. It is important to note that effective 1 July 2011, output VAT on imported services is no longer claimable as input VAT under the reverse VAT system, i.e. the recipient of the services is required to pay VAT at 18% to the URA but cannot claim it as input VAT. The VAT is therefore a cost to the importer of the services.



### Application for registration

In order to apply for VAT registration, one first has to obtain a tax identification number (TIN). Registration for all the different taxes may be undertaken at the same time for entities that are registering with the URA for the first time. The application for VAT registration (both compulsory and voluntary registration) must be made on form DT 1011, 'Application for VAT Registration' (which may be obtained from any local URA office or the URA website). As part of the registration process, a URA officer conducts a visit to verify the business address and activity of the applicant. Once the applicant is registered, the Commissioner-General provides a certificate of registration, indicating the TIN and the effective date of registration. If registration is denied, the applicant is notified accordingly.

The format of the VAT registration number is a 10-digit TIN issued by the URA and those heading tax. These are all indicated on the certificate of registration.

### Deregistration

A taxable person may apply in writing to have his VAT registration cancelled in the following circumstances:

- Cessation to make supplies of goods or services for consideration as part of the business activities of the person; or
- If in the most recent period of three calendar months, the value of the taxable supplies exclusive of VAT does not exceed 25% of the annual registration threshold of UGX50 million and if the value of the taxable supplies exclusive of VAT for the previous twelve calendar months does not exceed 75% of the annual registration threshold.

A voluntarily registered taxable person (with a turnover below the annual registration threshold) may apply for deregistration after the expiration of two years from the date of registration. The Commissioner-General may cancel the registration of a voluntarily registered taxable person where the person:

- Has no fixed place of abode or business;
- Has not kept proper accounting records relating to any business activity carried on by him;
- Has not submitted regular and reliable tax returns; and
- Is not, in the opinion of the Commissioner-General, a fit and proper person to be registered.

The Commissioner-General has to notify the taxable person of the cancellation of registration within 14 days of making the decision. The cancelled registration takes effect from the end of the tax period in which the registration is cancelled. Obligations and liabilities incurred by a taxable person before deregistration are not affected by the cancellation of the person's registration.

### Output tax

#### Calculation of output tax

Output tax is calculated by applying the VAT fraction (18/118) to the VAT-inclusive value, or by applying the rate of 18% to the taxable value of the transaction. Where the taxable value is made without a separate amount of the consideration being identified as VAT, it is assumed that the taxable value is inclusive of VAT.

### Exempt supplies

Exempt supplies, in respect of which the supplier should not charge input tax, include (but are not limited to) the following supplies:

- Unprocessed foodstuffs, unprocessed agricultural products, and livestock;
- Postage stamps;
- Financial services;
- Insurance services;
- Unimproved land;
- Sale, lease or letting of immovable property other than:
  - of commercial premises,
  - of hotel or holiday accommodation,
  - for periods not exceeding three months,
  - for parking or storing cars or other vehicles, or
  - of serviced apartments;
- Educational services;
- Veterinary, medical, dental and nursing services;
- Social welfare services;
- Betting, lotteries and games of chance;
- Goods transferred as part of a business as a going concern by one taxable person to another taxable person;
- Burial and cremation services;
- Precious metals and other valuables to the Bank of Uganda for the State Treasury;
- Passenger transportation services (other than registered tour and travel operators);

- Petroleum fuels, subject to excise duty (motor spirit, kerosene and gas oil), spirit-type jet fuel and kerosene-type jet fuel and residual fuels used in thermal power generation to the national grid;
- Dental, medical and veterinary equipment and ambulances;
- Feeds for poultry and livestock;
- Machinery used for the processing of agricultural or dairy products;
- Photosensitive semiconductor devices, including photovoltaic devices, whether or not assembled in modules or made into panels; light-emitting diodes; and solar water heaters, solar refrigerators and solar cookers;
- Accommodation in hotels and tourist lodges (outside Kampala district);
- The supply of new computers, printers, parts and accessories and computer software, and software licences;
- Specialised vehicles, plant and machinery, feasibility studies, engineering designs and consultancy services and civil works related to hydro-electric power, roads and bridge construction, public water works, agriculture, education and health sectors;
- Liquid petroleum gas (LPG);
- Contraceptive sheaths and examination gloves;
- Mosquito nets, insecticides and acaricides (mite and tick poison);
- Life jackets, life-saving gear, head gear and speed governors;
- Diapers and salt;
- Goods and services to contractors and subcontractors of hydro-electric power projects;
- The supply of power generated by solar energy;

- The supply of packing materials exclusively used by the milling industry for packing milled products; and
- The supply of packing materials exclusively used by the dairy industry for packing milk.

### Zero-rated supplies

Supplies where VAT at the rate of 0% can be accounted for include (but are not limited to) the following (a supplier may claim input tax on these items):

- Goods or services exported from Uganda (including services supplied by persons engaged exclusively in handling goods for export at a port of exit);
- International transport of goods and passengers (transport tickets);
- Drugs and medicines;
- Educational materials and the supply of printing services for educational materials;
- Cereals grown, milled or produced in Uganda;
- Seed, fertilisers, pesticides and hoes;
- Milk, including milk treated in any manner to preserve it;
- Machinery, tools and implements suitable for use only in agriculture; and
- Leased aircraft, aircraft engines, spare parts for aircraft and aircraft maintenance equipment.
- Input tax

### Input tax allowed

Generally, VAT is recoverable on taxable supplies made to the taxable person during the tax period and on all imports of goods and services made by that person if they are directly related to taxable transactions of the taxable person.

VAT is not recoverable on taxable supplies made to the taxable person and on imports of goods or services made by that person if they are not for use in the business of the taxable person (for example where the goods and services are directly related to exempt transactions).

### Input tax expressly denied

VAT incurred on the following supplies is specifically not allowed for input tax deduction:

- Goods or services acquired for purposes of entertainment (i.e. the provision of food, beverages, tobacco, accommodation, amusement, recreation or hospitality of any kind), unless the taxable person is in the business of providing entertainment, or supplies meals or refreshments to his employees in premises operated by him, or on his behalf solely for the benefit of his employees; or
- A passenger automobile, and the repair and maintenance of that automobile, including spare parts, except in the case of motor dealers or motor rental businesses;
- Telephone services to the extent of 10% of the input tax on those services; and
- Imported services.

### Partial exemption

Where goods or services are acquired only partially for purposes of making taxable supplies, the taxable person can only claim a proportion of the VAT incurred on purchases during the tax period according to an apportionment formula B/C where:

- The numerator B is the total amount of taxable supplies in the tax period; and
- The denominator C is the total amount of all supplies in the tax period (other than the supply of goods as part of the transfer of a business as a going concern).

If the apportionment percentage is less than 5%, no input tax may be credited for the period. If it is more than 95%, the full amount of input tax may be credited for the period.

The standard alternative method (or the direct attribution method) allows a person to directly attribute input tax separately to the exempt and taxable supplies and to claim for all the input tax related to the taxable supplies and for none of the input tax related to exempt supplies. The balance of input tax that cannot be directly attributed can be apportioned according to a given formula. This method, or any other method, may be used only with the approval of the Commissioner-General.

### **Pre-registration and post-deregistration VAT**

VAT incurred prior to the registration as a taxable person can be recovered in respect of taxable supplies of goods where the supply or import was for use in the business of the taxable person, provided the goods are on hand at the date of registration and the supply or import occurred not more than six months prior to the date of registration.

A taxable person whose registration has been cancelled is regarded as having made a taxable supply of all goods on hand, including capital goods, and shall be liable for output tax on all the goods on which he received input tax credit. The output tax payable shall be based on the fair market value of the goods at the time of cancellation of registration.

## **International trade**

### **Imports**

#### **Goods**

VAT on imports is payable on the date the imports are cleared under the customs clearance procedures. The taxable value is the total of:

- The value of the goods for customs duty purposes (cost, insurance and

freight (CIF), packing costs, selling commission, and royalty or licence fees) and the value of any other services excluded from the customs duty value; and

- The amount of customs duty, excise tax and any other fiscal charge payable (other than VAT).

Uganda is a signatory to the World Trade Organisation (WTO) agreement. The URA uses the valuation method of the WTO General Agreement on Tariffs and Trade (GATT), namely the transaction value method. The importer must produce documents for the transactions relating to the imports, and the values contained therein are used to determine the customs value. If the goods cannot be valued on the basis of the transaction value method, secondary bases may be used.

### **Services**

A registered taxpayer who receives a supply of services from a non-resident supplier must account for the VAT due on the supply at the earlier of the time:

- When performance of the service is completed;
- When payment for the service is made; or
- When the invoice is received from the non-resident supplier.

The VAT payable is calculated by applying the VAT rate to the total consideration paid to the non-resident supplier. The recipient must account for VAT. With effect from 1 July 2011, VAT accounted for on imported services cannot be claimed as a credit due on the supply.

Non-VAT-registered persons who are not covered by the new rules on place of supply of services must declare the VAT on imported services through the e-return, despite the fact that they are not specifically registered for VAT, but should have a TIN. VAT-registered persons account for VAT on imported services through the monthly VAT return, alongside other transactions.

An import of services is exempt if the services would be exempt, had they been supplied in Uganda.

### **Exports**

The supply of goods that are exported from Uganda are taxed at the zero rate. The zero rate will apply if:

- The goods are supplied by a registered taxpayer to a person in another country;
- The goods are delivered by a registered taxpayer to a port of exit for export;
- The registered taxpayer obtains documentary proof as set out below; and
- The goods are removed from Uganda within 30 days of delivery via a port of exit.

Further, the Commissioner may require goods to be distinctively labelled by the exporting taxpayer. For an export transaction to qualify for zero-rating, a registered taxpayer should obtain and retain the prescribed documentary proof of export (see 'Additional export documentation' below).

Where services are supplied by a registered person outside Uganda and satisfy the definition of place of supply as being outside Uganda, the services will qualify for zero-rating.

The Act does not authorise any refunds to tourists or non-residents.

## **Place, time and value of supply**

### **Place of supply**

A supply of goods takes place in Uganda where the goods are delivered or made available in Uganda by the supplier or if the delivery or making available involves transportation, if the goods are in Uganda when the transport commences.

A supply of thermal or electrical energy, heating, gas, refrigeration, air conditioning or water is a supply of a service. A supply of a service takes place in Uganda if the business of the supplier from which the services are supplied is in Uganda. Notwithstanding the above, a supply of services takes place in Uganda if the recipient is not a taxable person and the services are:

- Physically performed in Uganda by a person who is in Uganda at the time of supply;
- In connection with immovable property in Uganda;
- Radio or television broadcasting services received at an address in Uganda;
- Electronic services delivered to a person in Uganda at the time of the supply;
- A transfer, assignment or grant of a right to use a copyright, patent, trademark or similar right in Uganda; or
- Telecommunication services initiated by a person in Uganda, other than a supply by a supplier of telecommunication services or by a person who is roaming while temporarily in Uganda.

### Time of supply

The time of the supply (sale) of goods or services occurs:

- Where the goods are applied for own use – on the date on which the goods or services are first applied for own use;
- Where the goods or services are supplied by way of gift – on the date on which ownership in the goods passes or the performance of the service is completed;
- In case of a supply of goods under a rental agreement (including letting of goods, hire purchase agreements or finance lease) or services under an agreement or law which provides for periodic

payments – on the earlier of the date on which each payment is due or received, for each successive supply; and

- In any other case, on the earlier of the date on which:
  - goods are delivered or made available, or the performance of the service is completed,
  - payment for the goods or services is completed, or
  - a tax invoice is issued.

Input tax is claimed in the tax period when the invoice or customs bill of entry and URA receipt have been obtained from the supplier. For taxable persons on the cash basis, input tax is claimed when payment is made and the taxable person has evidence to certify it.

### Value of supply

The taxable value of a taxable supply is the total consideration paid in money or kind by all persons for that supply.

‘Consideration’ in relation to a supply of goods or services means the total amount in money or kind paid or payable for a supply by any person, directly or indirectly, including any duties, levies, fees and charges paid or payable on, or by reason of, the supply other than VAT, reduced by any discounts or rebates allowed and accounted for at the time of the supply. The concepts ‘consideration’ and ‘value’ must be distinguished as follows:

- Value of the supply = amount payable inclusive of VAT; and
- Consideration for the supply = amount payable exclusive of VAT.

The taxable value of a taxable supply of goods by way of an application for own use or a taxable supply for reduced consideration is the fair market value of the goods and services at the time the supply is made.

The taxable value of a taxable supply of goods under a rental agreement is the amount of the rental payments due or received.

## VAT compliance

### Accounting basis and tax period

Under the invoice basis, VAT is accounted for by using the formula

$(X - Y)$ , where:

- ‘X’ is the total of the VAT payable in respect of taxable supplies (sales) made by the taxable person during the tax period; and
- ‘Y’ is the total credit (on purchases) allowed to the taxable person in the tax period.

The cash basis applies to taxable persons whose annual taxable supplies do not exceed UGX200 million. Under this scheme, the taxable person accounts for VAT on the actual cash receipts and payments.

Tax periods are periods of one calendar month.

### Returns and payment of VAT

VAT returns must be made monthly, and filed within 15 days of the end of the tax period. Taxpayers may register with the URA to carry out their tax formalities or procedures with the URA electronically, such as electronic filing of tax returns. Filing of returns and payment of tax thereon are now done electronically.

The VAT due must be paid within 15 days of the end of the tax period, i.e. when the return must be filed. A taxpayer has to register the payment on the electronic system with one of the approved banks, subsequent to which a payment can be made with the chosen bank. Payments above UGX20 million have to be effected by electronic funds transfer.



### Interest and penalties

The penalty for not filing a VAT return is the greater of UGX200 000 or the compounded interest rate of 2% per month for the period the return is outstanding. The penalty for late payment of VAT is calculated at a compound interest rate of 2% per month for the period during which the tax is unpaid.

If a person knowingly or recklessly makes a statement or declaration to an officer of the tax authority that is false or misleading in a material manner and the resulting tax payable or refundable is different from the proper tax payable, the person is liable to pay double the amount of excess tax.

Further, a person who claims a refund that is in excess of what is due during a tax period is liable to a penal tax equal to 100% of the excess.

Where good cause is shown, in writing, by the person liable to pay a penal tax, other than a penal tax arising from the offence of late payment of tax, the Commissioner-General may waive the whole or part of the penal tax payable. Good cause could be a justifiable explanation of circumstances that caused the non-compliance. Where the non-compliance does not result in loss to the state or benefit to the taxpayer, the URA could allow the waiver of the penalties. This, however, will be at the authority's discretion.

### Refunds

Businesses that are in a regular repayment (zero-rated taxpayer) position will be refunded in cash. Cash refunds can be made to such businesses within one month following the due date or when the return was made.

On the other hand, refunds can be made within 10 days of lodging the claim under the customised fast track (CFT) system for businesses whose services are not normally zero-rated.

Taxpayers are subject to preliminary evaluations on a case-by-case basis before they qualify for the CFT.

Where businesses are not in a regular repayment position and the refund is:

- Less than UGX5 million: the refund will be offset against the next tax period's liability; or
- More than UGX5 million: the business can opt to offset the refund as described above, or get a cash refund.

Where the URA fails to make a refund within one month, the URA will pay interest at a rate of 2% per month compounded on the amount of the refund. The taxpayer should have filed accurate declarations to the effect that the variance between the figures established by the URA and the declarations do not exceed fifty thousand shillings.

### Objections and appeals

A person who is dissatisfied with an assessment may lodge an objection with the Commissioner-General within 45 days after receipt of the notice of the assessment decision.

Where a person is dissatisfied with the objection decision from the Commissioner-General, that person may lodge an application with the Tax Appeals Tribunal for review of the objection within 30 days after having been served the notice of the objection decision. Before lodging the application with the Tribunal, the person is required to pay the Commissioner-General 30% of the tax in dispute or that part of the tax assessed not in dispute, whichever is the greater.

Where a person is dissatisfied with the decision of the Tax Tribunal, a notice of appeal may be lodged with the registrar of the High Court within 30 days after being notified of the decision. An appeal to the High Court is always made on a question of law only.

### Time limits

Where a person fails to lodge a return as required, or the URA is not satisfied with the return lodged, or the URA has reason to believe that a person will become liable to pay VAT but is unlikely to pay the amount due, an assessment will be issued within five years of the date on which the return was lodged by that person. An assessment may be issued any time where fraud or gross or wilful neglect has been committed by, or on behalf of, a person.

A claim for output tax that has been over-paid must be made within three years after the end of the tax period in which VAT was over-paid. An application to alter a return can be made within three years after the date on which the return was lodged.

### VAT records

#### Tax invoices

Every taxable person must issue an original tax invoice to the recipient (whether a taxable person or not) at the time of the supply. An invoice for VAT purposes should contain the following information:

The words 'tax invoice';

- The commercial name, address, place of business, VAT registration number and taxpayer identification numbers (TINs) of the supplier and recipient;
- The serial number and date of issue of the invoice;
- The description, quantity or volume of goods or services supplied;
- The rate of VAT for each category of goods or services and the total amount of VAT charged; and
- The consideration for the supply excluding tax, and the consideration including VAT or, where the amount includes VAT, a statement that it includes VAT, and the rate thereof.



Invoicing may be done in a foreign currency but the returns have to be filed in Uganda Shillings. Where an amount is expressed in a currency other than Uganda Shillings, the amount must be converted into Uganda Shillings using the weighted average selling rates of the previous month for the currency concerned. The Bank of Uganda normally issues these rates at the beginning of every month.

Tax invoices prepared by the principal may be passed to the agent for issue. The principal may also authorise the agent to issue tax invoices on his behalf. This authorisation must be in writing and be retained by the agent. The authorisation commits the principal to meet the VAT obligations resulting from the agent's actions.

### **Credit notes and debit notes**

Where in relation to a taxable supply by a taxable person:

- The supply is cancelled;
- The nature of the supply has been fundamentally varied or altered;
- The previously agreed consideration for the supply has been altered by agreement with the recipient of the supply, whether due to an offer of a discount or for any other reason; or

The goods or services or part thereof have been returned to the supplier; and

- The taxable person making the supply has provided a tax invoice in relation to the supply and the amount shown therein as the VAT charged on the supply is incorrect as a result of the occurrence of any one or more of the above-mentioned events; or
- The taxable person has filed a return for the tax period in which the supply occurred and has accounted for an incorrect amount of output tax on that supply as a result of the occurrence of any one

or more of the above-mentioned events,

the taxable person must issue a credit note or debit note.

A credit note is issued where the actual VAT chargeable is less than the amount on the tax invoice. A debit note is issued where actual VAT chargeable is more than the amount on the tax invoice.

### **Additional export documentation**

A tax invoice issued to a non-resident recipient generally shows tax at a zero rate. In order to qualify for zero-rating on exports, the supplier must also have the following:

- A copy of the invoice issued to the foreign purchaser with tax shown at 0%;
- A customs bill of entry or export, certified by the customs authorities at the point of exit;
- A CD3 form issued by the Bank of Uganda; and
- Evidence sufficient to satisfy the Commissioner-General that the goods have been exported, in the form of an order form or of a signed contract with a foreign purchaser, or transport documentation that identifies the goods, such as:
  - a transit order or consignment note issued by the railway company for goods exported by rail,
  - a copy of a bill of lading for goods exported by water,
  - a copy of an airway bill for goods exported by air, and
  - a copy of a transport document for goods exported by road.

### **Record-keeping**

Records must be kept for at least six years after the end of the tax period to which the records relate. Records may not be kept outside the country. Records can also be maintained in

electronic form. Records should be maintained in the English language and may be accessed by the Commissioner-General or an authorised officer at any time during normal working hours.

## **Specific VAT rules**

### **Bad debts**

Bad debt relief may be allowed by the Commissioner-General where:

- A registered person has supplied goods or services and has accounted for and paid VAT on that supply but has not received any payment from the person liable to pay the tax;
- Two years from the date of that supply have elapsed or that person has become legally insolvent; and
- The Commissioner-General is satisfied that the person has taken all reasonable steps to recover the money and they have been futile.

### **Land and buildings**

The supply of unimproved land is exempt from VAT.

The letting and disposal of immovable property is exempt. However, the letting and disposal of commercial premises, hotel or holiday accommodation property for periods not exceeding three months, service apartments, or property for parking or storing vehicles is standard-rated.

In the case of building or construction services, VAT is payable when an invoice is issued or when payment is received or becomes due, whichever is the earlier, in respect of each stage of the work completed. Where an invoice or a claim for payment by a contractor requires certification (e.g. by an architect), the time of supply is the time of certification. Where a contractor varies the cost of a contract during the course of execution, the variations to the original contract are deemed to include VAT.

### **Leasing**

In the case of a rental agreement (i.e. an agreement for the letting of goods, including a hire-purchase agreement or a finance lease), goods are treated as successively supplied for successive parts of the period of the agreement, and each successive supply occurs on the earlier of the date on which payment is due or received. VAT is payable on the amount of rental payments due or received.

The supply of goods under a finance lease is treated as a supply of a good under a rental agreement. The lessor may claim the input credit at inception of the finance lease and must charge VAT on the lease rentals (including the finance charge). The lessee, if registered for VAT, may claim an input tax credit.

### **Promotional gifts**

The taxability of promotional gifts depends on the relationship between the supplier and the consumer.

Where the supplier and consumer are related parties, then the making of a promotional gift is regarded as a taxable supply of goods or services and VAT is therefore charged on the market value of such gifts. Where the supplier and consumer are not related parties, then the making of a promotional gift is treated as a supply for zero consideration and therefore no VAT is charged.

### **Second-hand goods**

There are no specific rules for second-hand goods. Sales made by a taxable person are subject to VAT. The export of second-hand goods is zero-rated in accordance with general rules.

### **Small retailer scheme**

No special scheme is available for small retailers.

### **Tourism industry**

The VAT consequences of supplies made by tour operators can be summarised as follows:

- Air travel – international travel is zero-rated and local travel is exempt;
- Car rental – standard-rated;
- Accommodation – exempt, if located outside Kampala;
- Tourism services – standard-rated;
- Packaged tours – standard-rated; and
- Marketing and management fees – standard-rated.

### **Transfer of a business**

Transfer of a business (or separate part thereof) as a going concern is exempt if the transferor and transferee are both taxable persons and both parties notify the Commissioner-General within 21 days of the transfer in writing of the details of the transfer. The same business should be maintained within two years of the transfer.

### **Warranty repairs**

The importation of parts as per the warranty agreement is subject to VAT at the standard rate of 18%. Services offered to foreign companies are considered exported services and are charged at the zero rate, provided the services are consumed outside Uganda subject to the place-of-supply rules.

### **Other indirect taxes**

#### **Import duties**

Import duties are taxes imposed on imported goods. There are different rates for COMESA (Common Market for East and Southern Africa, which includes Kenya, Tanzania, Mauritius, Rwanda, Burundi, Malawi, Zambia, Zimbabwe and Mozambique) and for the rest of the world.

The COMESA rates vary between 4% and 10%. For the rest of the world, the highest import duty is 25%. In addition, all goods coming into the

East African Community, of which Uganda is a member, are subject to the three-tariff band (0%, 10% or 25%), depending on the origin of the goods. The East African Community member countries include Uganda, Kenya, Rwanda, Tanzania and Burundi.

### **Excise duties**

Excise duty is imposed on certain excisable goods, as well as on selected imported products. These products largely include spirits, soft drinks, beer, wine, cigarettes and tobacco, fuel, motor vehicles, sugar, colour TVs and certain other luxury goods. The excise duty rates range from 5% to 160%.

Excise duty is also levied on airtime and talk time. The rates are 12% for mobile telephone services and 5% for fixed lines.

### **Motor vehicle fees**

Fees are levied on the registration and transfer of ownership of motor vehicles. Annual road licence fees were scrapped.

### **Stamp duty**

Stamp duties are charged on various legal documents and agreements, such as:

- Bills of exchange, promissory notes and bonds;
- Marketable securities, including debentures;
- The sale, conveyance, mortgage and lease of any property situated in Uganda; and
- Insurance policies.

Stamp duty is payable within 30 days of the execution of the instrument (if executed in Uganda), and within 30 days of arriving in Uganda (if executed outside Uganda).



# Zambia



## Introduction

VAT was introduced in Zambia on 1 July 1995 to replace the then existing manufacturing and retail sales tax. VAT is invoice-based and levied under the VAT Act, 1995.

The VAT authority is the Zambia Revenue Authority (ZRA). The Commissioner of Domestic Taxes, based at the ZRA headquarters in Lusaka, is responsible for the administration of the VAT Act, together with the other taxes.



## Rates and scope

### Rates

There are two VAT rates in Zambia, namely:

- Standard rate of 16%; and
- Zero rate of 0%.
- Scope

VAT is levied on taxable goods and services supplied by VAT-registered suppliers in the course or furtherance of business that takes place in Zambia. It also applies to imported goods and services.

## Registration

### Compulsory registration

It is a statutory requirement that suppliers making taxable supplies with a taxable turnover exceeding K800 000 (approximately US\$145 000) in any 12 consecutive months or K200 000 in any three consecutive months, or whose taxable turnover is expected to exceed either K800 000 million or K200 000 in

the subsequent 12 months or three months respectively, must make an application for VAT registration.

A supplier who is required to apply for VAT registration and who fails to do so within a month after meeting the criteria is liable to a fine not exceeding 10 thousand penalty units (a penalty unit is currently K0.18) or K1 800 (approximately US\$325) or imprisonment for a term not exceeding 12 months.

### Voluntary registration

Suppliers whose taxable turnover does not meet the statutory requirement, but who wish to be registered for VAT, may do so on a voluntary basis. Suppliers registered on a voluntary basis will have the same obligations to abide by the rules that apply to statutory registered suppliers.

The period of voluntary registration has been restricted to 12 months, and any request for renewal will be scrutinised.

### Group or branch registration

The VAT Act provides for two or more companies incorporated in Zambia to form a recognised group and apply for group registration. To qualify for group registration, the following conditions must be met:

- One of the group members controls each of the others;
- One person, whether a company or an individual, controls them all; or
- Two or more individuals carrying on a business partnership controls them all. for

If the above criteria are met, the ZRA will issue a single VAT registration number for all members in the qualifying group. Any supply of goods or services by a member of the group to another member of the group will not constitute a supply for VAT purposes (no VAT is required to be accounted for on the inter-group transactions).

## Contact details – PwC, Zambia

Website: [www.pwcglobal.com/zm](http://www.pwcglobal.com/zm)

Street address	Postal address	Telephone number
PricewaterhouseCoopers Place, Stand No. 2374, Thabo Mbeki Road, Lusaka, Zambia	PO Box 30942 Lusaka Zambia	260-211-256471/2

PwC contact persons	Designation	Telephone number	E-mail address
Jyoti Mistry	Partner/Director	+260 (211) 334000 Ext 4023	Jyoti.mistry@zm.pwc.com
George Chitwa	Tax Manager	+260 (211) 334000 Ext 4033	george.chitwa@zm.pwc.com
Thomas Story	Tax Director	+260 (211) 334000 Ext 4108	thomas.story@zm.pwc.com

### Application for registration

Application for VAT is made on a prescribed application form. The ZRA will only process a VAT application form if the supplier has applied for and been allocated a taxpayer identification number (TPIN). This requirement means that by applying for the TPIN, the supplier is registering for other taxes as well, such as corporate tax and pay-as-you-earn.

### Deregistration

Cancellation of registration may take place if:

- There is a change in the legal status of an entity;
- The business ceases trading permanently;
- The business is sold;
- The business was registered as an intending business and the intention to make supplies ceases; or

- The taxable supplies fall consistently below the VAT registration threshold.

All applications for deregistration should be made in writing to the VAT Commissioner. The ZRA will normally carry out a VAT audit before approval for deregistration is given, and the business has to complete the final VAT return. The business will be required to account for VAT on any stocks and capital assets on hand at the date of deregistration.

### Output tax

VAT is charged at the rate of 16%.

If the consideration for goods or services

- Is non-monetary;
- Is partly monetary; or
- Is less than the open-market value,

the open-market value is used to determine the VAT liability.

### Exemptions and zero-rating

#### Exempt supplies

Supplies that are exempt from VAT but in respect of which the supplier may NOT deduct input tax include, but are not limited to, the following:

- Water supply and sewerage services provided by a local authority;
- Specific agricultural supplies;
- Nursery, primary and secondary school education, and university education;



- Financial and insurance services – The arrangement, provision or transfer of ownership of any contract of re-insurance (however, the exemption only applies to a contract of insurance underwritten before 1 January 2011); the issue, transfer and receipt of money; the provision of credit and interest component of finance leases; the operation of any account at a bank or other financial institution; the issue, allotment and transfer of shares; and uncirculated new kwacha notes and coins;

Funeral services;

- Books and newspapers;
- Health services – private and public;
- Transport services – air, rail or bus;

Conveyance of real property – The sale or lease of an interest in land, other than the lease or rental of commercial property; the sale or lease of domestic buildings; and any fee, royalty or similar right to explore or remove any natural resource;

- The supply of gold in bullion form to a bank;
- Trade union subscriptions;
- Domestic kerosene;
- Reliefs at importation of certain goods;
- Treated and untreated mosquito nets;
- Road construction agreements entered into with the Government of the Republic of Zambia prior to 1 July 1995;
- Certain statutory fees; and
- Food and agriculture.

### **Zero-rated supplies**

Supplies which are zero-rated in respect of which the supplier may deduct input tax include, but are not limited to:

- Export of goods;
- Supplies to privileged persons,

such as diplomats and donor agencies;

- Building supplies to a public benefit organisation;
- Medical supplies and drugs, including implements for the medical industry;
- Raw materials used in the production of mosquito nets;
- Educational books and school exercise books;
- Energy-saving appliances, machinery and equipment;
- Agricultural equipment and spares; and
- Wheat, flour and bread.

### **Input tax**

#### **Input tax expressly denied**

VAT incurred in respect of the following goods and services may not be deducted as input tax on items that include the following:

- Entertainment;
- Motor cars (including saloon cars and double cabs);
- 80% of the cost of petrol incurred for business purposes;
- Telephone and internet services; and
- All non-business purchases, including expenses incurred for the benefit of the employee.

Where a non-resident business does not appoint a local tax agent to account for its VAT, the VAT that is self-accounted for by the recipient of the imported services is not recoverable as input tax credit.

### **Partial exemption**

A business that makes both taxable and exempt supplies is allowed to claim input VAT that relates only to taxable supplies.

Currently, there are four methods available for reclaiming input VAT on mixed supplies.

### **Pre-registration VAT**

A business registered for VAT may claim input VAT on goods or services relating to the start-up of the business within three months prior to registration. However, the business should have the goods on hand and must have a tax invoice from the supplier to be allowed the claim.

### **Intending traders**

A supplier who becomes registered in anticipation of commencing trading activities as ‘an intending trader’ may claim input tax credit or deduction in respect of goods and services that are received:

- Within a period of four years after becoming registered as an intending trader, in the case of farming, exploration and mining;
- Within a period of two years after becoming registered, in the case of any other intending trader; or
- Within a period of seven years after becoming registered as an intending trader, in the case of exploration activities only.

However, this does not apply after the stated periods have elapsed, unless trading activities have commenced and the supplier is making taxable supplies.

### **Imports**

#### **Goods**

Imported goods are subject to import VAT at 16% if these goods are standard-rated. Some capital goods qualify for VAT deferment. Such goods will be standard-rated, but VAT-registered suppliers will not pay any import VAT on importation of these specified capital goods.

## Services

### Non-residents

It would be beneficial for local recipients of imported services if suppliers who are not established in Zambia but make taxable supplies in Zambia appointed a local tax agent in Zambia to account for VAT on their supplies in Zambia.

Once appointed, the fiscal representative would charge VAT on services provided by his principal, i.e. the non-resident supplier. In this instance, the recipient of the services should be able to claim the corresponding input VAT.

If the non-resident does not appoint a fiscal representative, or does not register for VAT, the recipient of the services must account for the VAT on such services. Such VAT, referred to as reverse-charged VAT, cannot be claimed as input VAT, or as a refund or credit. This becomes a cost to the recipient of the services.

An application for the appointment of the local tax agent must be made in writing to the Commissioner-General (CG) of ZRA. Generally, the CG will only approve the appointment if the local representative is an independent third party. Once appointed, the fiscal representative will take on the responsibilities and liabilities for paying the taxes due and complying with all the filing requirements on transactions undertaken by the principal in Zambia.

## Exports

### Goods

The export of goods from Zambia by or on behalf of a taxable supplier is zero-rated (0%). Zero-rating for exported goods is not automatic as there are certain documentary requirements that need to be met.

### Services

Only services that are physically rendered outside Zambia are zero-rated.

## Place, time and value of supply

### Place of supply

The place of supply is the location of the goods when supplied to a customer. If goods are in Zambia when a supplier allocates them, the supply is in Zambia. Goods are considered to be supplied in Zambia if their supply involves their installation or assembly at a place in Zambia.

The place of supply of services is deemed to be in Zambia if the supplier has a place of business in Zambia, the supplier's usual place of residence is in Zambia, or the service is imported.

In these instances, services are considered as supplied in Zambia and will therefore be subject to 16% VAT.

Special rules apply for the place of supply of radio, television, telephone or other communication services, where the signal or service originates outside Zambia. The place of supply of these services is taken to be the place where the recipient receives the signal or service, provided that a consideration is payable for receiving the service or signal.

### Time of supply

The time at which any goods are supplied, or at which any services consisting of the lease, hire, loan or treatment of, or other activity in relation to, any goods are supplied, is the earliest of the time when:

- Goods are removed from the premises of the supplier;
- Goods are made available to the person to whom they are supplied;
- Payment for the supply is received; or
- A tax invoice is issued.

The time of supply of services is the earliest point of the time when:

- Payment for the supply is received;
- A tax invoice is issued; or
- Services are actually rendered or performed.

If, for the supply of any goods or services referred to above, payment is made or a tax invoice is issued in respect of part of the supply, VAT is payable only on the part relating to the supply.

### Value of supply

Where goods or services are supplied:

- Otherwise than for a monetary consideration;
- For a consideration that consists only partly of money; or
- For a consideration that is less than the open-market value of the goods or services,

the taxable value will be the open-market value of the goods or services. The open-market value is the price at which the goods or services being supplied would have been supplied in the ordinary course of business, to a person independent of the supplier.

## VAT compliance

### Returns and payment of VAT

Returns must be submitted monthly. However, some businesses are allocated tax periods of either three or six months upon application to and approval by the ZRA.

VAT returns and any VAT payable must be lodged with the ZRA within 21 days after the end of the prescribed accounting period. VAT returns are filed electronically.

VAT due must be paid within 21 days following the end of the prescribed accounting period.

VAT may be paid in cash, or by cheque or bank transfer. Payments must be in the Zambian currency (Kwacha).

### **Interest and penalty**

Businesses that do not lodge a return within the time allowed are liable to a penalty higher than either:

- 1 000 penalty units (K180, currently approximately US\$30); or
- 0,5% of the tax payable in respect of the tax period covered by the return, for each day that the return remains unsubmitted.

For late payment of VAT, the penalty is 0,5% of the tax due for each day the VAT is unpaid. Interest is also chargeable for each month that a payment is overdue and is charged at the Bank of Zambia discount rate plus 2%.

### **Refunds**

The business is allowed to deduct any input VAT which it has paid from the output VAT that it is liable to pay. Refunds should be made within 30 days from the date of submission, but they may be subject to verification by the ZRA, which can delay the payment of the refund.

### **Time limits**

Input tax may not be deducted or claimed after a period of six months from the date of the relevant invoice.

## **VAT records**

### **Tax invoices**

Tax invoices should normally be issued in the same month that the goods or services are supplied. Tax invoices must be retained for a minimum period of five years. Not more than one tax invoice may be issued for the same taxable supply. A customer is entitled to ask for a duplicate invoice in case of loss of the original tax invoice. The duplicate invoice must be prominently marked 'duplicate'.

The following details must appear on the tax invoice:

- The words 'tax invoice' in a prominent place;
- Name, address and VAT registration number of the supplier;
- Name or business name and address of the recipient;
- Serial number of the invoice and date of issue;
- Quantity or volume of the goods or services supplied;
- Description of the goods or services supplied;
- The selling price, excluding VAT and any discount;
- The total amount of the VAT charged; and
- The selling price including VAT, or the total charge on the invoice inclusive of VAT, any discount, and the rate of VAT.

The ZRA requires tax invoices to be pre-printed with the invoice numbers pre-printed in sequential form. This means that the invoices must be issued from a pre-printed book. If the supplier wishes to issue a computerised invoice, the accounting package must be audited and approved by the ZRA. The system must not permit any manual input of the invoice number. If the invoice is not pre-printed, the ZRA will disallow the invoice for input VAT deduction purposes.

Foreign languages may not be used on invoices.

Where foreign currency is used on an invoice, the tax invoice must show the Kwacha exchange rate and the Kwacha equivalent at the date of the transaction. The date of transaction will normally be the date the tax invoice is raised. The exchange rate to be applied is the Bank of Zambia rate or any commercial bank rate in Zambia.

Agents issue tax invoices only where the agent has been appointed by a foreign supplier.

### **Credit notes**

Credit notes may be issued where:

- The supply has been cancelled;
- The supply or total purchase price has been varied or altered; or
- The goods have been returned to the supplier.

The details required on the credit notes are the same as those required on a tax invoice. The invoice must be clearly headed 'credit note'. The details of the person or business receiving the credit, the quantity and amount credited for each item, the number and date of the original tax invoice or a clear audit to show VAT was accounted for on the original supply must be shown. A brief reason for the issue of a credit note is also required.

The supplier that issues the credit note may deduct from the total output VAT on the VAT return the total output VAT (shown on the credit note) on which the credit is given.

A business in receipt of a credit note for goods or services that have been subsequently cancelled or returned should ensure that input VAT is not claimed, or if it has already been claimed that it is cancelled by deducting the VAT amount from the input VAT claimed in the period during which the credit note was received.

### **Additional export documentation**

VAT-registered suppliers are required to maintain proof or evidence that goods were exported to qualify for zero-rating.

**Record keeping**

Records must be kept for a minimum period of six years, unless the Commissioner-General advises otherwise. Records may not be kept outside the country. The records may be kept in electronic form, but hard copies must be made available for inspection purposes.

**Specific VAT rules****Bad debts**

The output VAT paid to the ZRA by a business but not received from the customer can be claimed back if certain specified conditions are met.

**Land and buildings**

The sale of commercial property and the sale and lease of land are exempt. Lease or rent of commercial property is taxable at the standard rate, but domestic rent is exempt.

The construction of domestic and commercial buildings is taxable at the standard rate.

**Tourism industry**

With effect from 1 January 2014, pre-booked tourism sector packages will be standard-rated.

**Transfer of a business**

In respect of a business sold as a going concern, the legislation requires the transferor to notify the Commissioner-General in writing of the transfer within 30 days following the date of transfer. There is no ruling on the specific records that are required to show that a transfer of a going concern has taken place. However, the general practice is to use the normal business documents (of the transferor and transferee) to show that a transfer of a going concern has indeed taken place, and evidence that the same business has continued to operate in the same manner after the transfer must be at hand.

No tax may be charged or input claimed in respect of the transfer of a business as a going concern where both the transferor and transferee are registered VAT suppliers.

Caveat: The position stated above is based upon legislation and ZRA guidance for the year ended 31 December 2013 and changes announced in the 2014 National Budget to apply with effect from 1 January 2014. As of 25 February 2014, ZRA guidance and secondary legislation have not yet been published to confirm the current position. For example, the VAT exemptions effective from 1 January 2014 have not yet been confirmed by the release of the 2014 VAT (Exemption) Order.

**Other indirect taxes****Customs duties**

Customs duties are applied to imported goods. The customs duty rates vary in the region of 0% to 25%. The rate is applied to the cost of the goods being imported, plus insurance, freight and incidental costs of importation.

**Excise duties**

Excise duty is levied on certain specified goods made or produced in Zambia, or imported into Zambia. Examples of such goods are petroleum products, beers, spirits, tyres, soft drinks, cigarettes and electricity. Excise duty rates vary from 15% to 125%.

**Stamp duty**

Property transfer tax is levied at the rate of 10% on the transfer of land, shares and mineral rights. (Applicable rate from 1 January 2014.)

# Zimbabwe



## Introduction

VAT was introduced in Zimbabwe with effect from 1 January 2004 to replace Sales Tax. The VAT legislation is contained in the VAT Act (Chapter 23:12). The Zimbabwe Revenue Authority (ZIMRA), the head of which is the Commissioner-General, administers the VAT system.

## Rates and scope

Zimbabwe has three different VAT rates:

The standard rate of 15%;

- A 15% rate applicable to the export of unbeneficiated platinum and rough diamonds with effect from January 2015;
- A 20% rate applicable to the export of unbeneficiated chrome; and
- The zero rate of 0%.

VAT is not charged on commodities as such but rather on the supply of commodities and is imposed on the following:

- The supply of any goods and services in Zimbabwe by a registered operator in the course or furtherance of a trade (enterprise);
- Goods imported into Zimbabwe in certain circumstances;
- Services imported into Zimbabwe in certain circumstances; and
- Export of raw hides, unprocessed leather, rough diamonds as well as unbeneficiated chrome and platinum.

## VAT registration

### Registered operator

A registered operator is a person who is registered or is required to be registered for VAT. It is the person, not the trade, that is registered for VAT. A person is only registered once for all the trades, divisions or branches carried on.

### Compulsory registration

Any person who carries on or intends to carry on any trade(s) in the course of which taxable supplies (including zero-rated supplies) are made, and whose taxable value of supplies exceeds the prescribed limit, must register for VAT.

A person is liable to register at the end of any month when the total value of all his supplies of goods or services (turnover) has exceeded the prescribed amount in the preceding period of 12 months, or there are

reasonable grounds for believing that the total value of supplies of goods and services that will be made in the following 12 months will exceed the prescribed amount.

The threshold for compulsory registration (with effect from 30 January 2009) is USD60 000 p.a.

However, registration will not be required if the prescribed amount has been or will be exceeded as a result of:

- Sales due to cessation of or reduction in the size of the business;
- Sales due to replacement of capital assets; or
- Abnormal circumstances of a temporary nature.





## Contact details – PwC, Zimbabwe

Physical address	Postal address	Telephone number
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### Voluntary registration

A person may apply for voluntary registration even if the total value of taxable supplies is less than the prescribed amount for mandatory registration. The person must satisfy the Commissioner that a trade is carried on. However, the Commissioner has set no minimum threshold and a decision to register is made on an individual basis.

The Commissioner may refuse to register a person for voluntary registration if the applicant:

- Has no fixed place of abode or business;
- Does not keep proper accounting records; or
- Has not opened a banking account.

### Group or branch registration

Group registration is not permissible, as the law requires each separately registered entity to

register individually. In exceptional circumstances, separate persons carrying on specified trades may, under an anti-avoidance provision, be deemed to be one for purposes of registration.

Branch or divisional registration is no longer permissible, with effect from 1 January 2010.

### Non-residents

Non-residents conducting taxable activities in Zimbabwe are required to be registered. However, it is mandatory that they appoint a resident representative registered operator.

### Application for registration

Application for compulsory and voluntary registration must be made on the prescribed registration form (Rev 1), together with any other documents that the Commissioner may require from time to time (such as a company

registration certificate, articles and memorandum of association, copies of identity documents for directors and representative person, proof of residence of the above, copy of current bank statement and documentary evidence to support turnover, especially the invoices issued from the date of commencement of trade). For compulsory registration, this must be completed not later than 30 days from the date of first becoming liable for such registration.

### Deregistration

A registered operator may be deregistered if:

- The value of his taxable supplies falls below the registration threshold;
- He ceases to carry on any trade and will not carry on any trade during the next 12 months;

- He has applied for registration in anticipation of commencing a trade and has not commenced that trade; or
- He has successfully applied for voluntary registration and subsequently fails to comply with the requirements.

Cancellation of registration, with the approval of the ZIMRA, will take effect from the last day of the tax period during which the Commissioner is satisfied with the trader's eligibility for deregistration or such later date as may be determined by the Commissioner.

## Output tax

### Calculation of output tax

Output tax is calculated by applying 15% to the value of a taxable supply. Where the supplier has not specified whether VAT has been included, the tax fraction of 15/115 is applied to the amount deemed to be consideration for the supply. In all advertisements or quotations, all prices are to be stated on a VAT-inclusive basis. Where this is not stated, the price is deemed to be the VAT-inclusive price.

### Exempt supplies

Supplies that are exempt from VAT, in respect of which the supplier may not make any input tax deductions, include:

- Financial services (excluding financial services charged at 0%);
- Donated goods or services or any other goods made or manufactured by an association not for gain if at least 80% of the value of the materials used in making or manufacturing such other goods consists of donated goods;
- Residential accommodation in a dwelling;
- Leasehold land used to erect dwellings, and for existing dwellings;

- Letting of land outside Zimbabwe;
- Transport by public road or railway of fare-paying passengers and their luggage;
- Educational services;
- Medical services;
- Membership contributions paid to an employee organisation;
- Piped water, rates charged by a local authority and electricity charges for supplies made for domestic purposes;
- Certain agricultural equipment and machinery;
- Certain fuel and fuel products (including ethanol fuel); and
- Certain live animals; and tobacco supplied on the auction floors, and with effect from 1 February 2013, the supply of tobacco and other items of tobacco supplied otherwise than through auction sales.

### Zero-rated supplies

Supplies that are zero-rated, in respect of which the supplier may deduct input tax, include supplies of the following goods or services:

- Goods (including consumables) supplied to repair goods temporarily admitted into Zimbabwe;
- Goods supplied under a rental agreement if used exclusively outside Zimbabwe;
- Goods supplied under a rental agreement if used in or paid for from outside Zimbabwe – this zero-rating only applies to foreign-registered businesses;
- Business supplied as a going concern;
- Gold supplied to the Reserve Bank or a registered bank;

Regular inputs supplied to farmers for farming, e.g. herbicides, fodder and insecticide;

- Soya bean and cottonseed (raw materials in oil expression);
- Certain basic foodstuffs, e.g. milk, raw meat and bread;
- Goods for disabled persons;
- Goods supplied to an independent branch in an export country;
- Gold coins issued by the Reserve Bank;
- Drugs as defined in the Medicines and Allied Substances Control Act;
- International transportation of passengers or goods;
- Transportation of passengers from one place to another place in Zimbabwe by aircraft to the extent that the travel constitutes 'international carriage';
- Transportation and ancillary transport services supplied within Zimbabwe in respect of imports and exports of goods, if supplied by the same supplier responsible for the international transport of those goods;
- Insuring and arranging of the transport and arranging of insurance of passengers or goods in respect of international transport;
- Transportation services for the movement of goods through Zimbabwe from one export country to another, when provided to a non-resident (non-registered operator), who does not carry on a business in Zimbabwe;
- Services in connection with land or improvements outside Zimbabwe;
- Services in connection with movables situated outside Zimbabwe or goods temporarily admitted into Zimbabwe that are exempted from import duties;
- Services relating to foreign-going aircraft;
- Handling, pilotage, salvage, towage and operation or management of a foreign-going aircraft, where supplied to a non-resident, non-registered operator;

- Arrangement of the supply of goods, services or transport of goods for a person who is a non-resident and a non-registered operator;
- Repair of a train operated by non-residents, not carrying on business in Zimbabwe;
- Services rendered whilst physically outside Zimbabwe (other than telecommunication services utilised in Zimbabwe);
- Services supplied to a non-resident who is outside Zimbabwe at the time the services are rendered, except where related to land and improvements thereto, or movable property situated inside Zimbabwe;
- Patents and other intellectual property for use outside Zimbabwe;

Deemed services supplied by a charitable organisation to a public or local authority; or

Services supplied by a registered operator to his branch situated in an export country.

The above services can only be zero-rated if the registered operator obtains and retains the necessary documentary proof acceptable to the Commissioner, or as prescribed in the circumstances.

## Input tax

### Input tax allowed

Where a registered operator incurred VAT on the acquisition of goods or services for the purposes of making taxable supplies, the VAT can, as a general rule, be deducted as input tax, provided the operator is in possession of the required tax invoice or bill of entry.

Where a registered operator purchased second-hand goods, being fixed property, from a non-registered operator, and the recipient has paid for the supply and has kept the necessary details of the supplier and the transaction in terms

of the prescribed documentary requirements, he may (generally) claim the tax fraction of the amount paid as input tax. This input tax is commonly referred to as 'notional input'. The input tax is limited to the stamp duty payable.

Where a registered operator (such as a leasing company) repossesses goods from a debtor (who is not a registered operator) under an instalment credit agreement, the registered operator may deduct input tax.

This is calculated by multiplying the tax fraction (at the time the supply was originally made) by the balance of the cash value still owing to the supplier.

To qualify as input tax, two requirements have to be met, namely:

- The goods or services must be acquired by the registered operator wholly or partly for the purpose of consumption, use or supply in the course of making taxable supplies; and
- The goods supplied must have been subject to VAT at the standard rate or the goods must qualify as 'second-hand goods' (previously owned and used), which have been acquired from a non-registered operator.

### Input tax expressly denied

VAT paid by a registered operator for the following purposes may not be deducted as input tax:

- Entertainment;
- Membership fees or subscriptions to clubs, associations or societies of a sports, social or recreational nature;
- Medical costs paid by a medical scheme on medical services provided to its members;
- Non-commercial motor vehicles, with the exception of motor-dealers; and

- Exportation of raw hides, rough diamonds, and unbeneficiated chrome and platinum.

### Partial exemption

Where goods or services were acquired only partly for taxable supplies and partly for some other purpose, a fair and reasonable portion may be claimed as input tax. The general basis for apportionment is the turnover basis. However, the law permits the Commissioner to approve some other reasonable basis for apportionment.

### Adjustments

A registered operator is allowed to claim additional input tax credit where he previously claimed input tax for a reduced taxable usage and has increased the taxable application of a capital asset worth at least USD60.

### Pre-registration and post-deregistration VAT

Where a company reimburses a person who is a registered operator and who originally purchased goods or services for the costs incurred, and the goods or services were acquired for the purposes of the trade to be carried on by the operating company, the company may claim the VAT as input tax in the tax period during which the reimbursement is made. However, the company may not claim the deduction where:

- The supply of goods or services by the person to the company is a not a taxable supply, or is a supply of second-hand goods not being a taxable supply;
- The goods or services were acquired more than six months before the date of incorporation; or
- The company does not hold sufficient records (in this case no input tax can be claimed at all under any section of the VAT Act).

An operator whose registration is cancelled must pay VAT on stocks on hand at the time of cancellation, as this is deemed to be a supply in the operator's hands. Arrangements for settling VAT due can be made on an individual basis.

## **International trade**

### **Imports**

#### **Goods**

VAT is levied and paid on the importation of any goods into Zimbabwe by any person unless an exemption applies or the goods qualify for zero-rating. An importer of goods is liable to pay the VAT levied on importation.

Goods are deemed to be imported on the date the goods are entered for home consumption (i.e. cleared through customs). This date is reflected on the customs bill of entry or Form 49 receipt (for importations valued at USD1 000 or less). The VAT on importation must be paid at the same time as the customs duty. The value to be placed on the importation is the aggregate of the value of the goods for customs duty purposes as provided under the Customs and Excise Act, plus the customs duty paid.

#### **Services**

VAT is levied and paid on the supply of any 'imported services' by a supplier who is not a resident of Zimbabwe or who carries on business outside Zimbabwe, to a recipient who is a resident of Zimbabwe, to the extent that the services will be utilised or consumed in Zimbabwe otherwise than for making taxable supplies. An apportionment may therefore have to be made in the case of mixed supplies.

The VAT is payable by the recipient of the imported services. The recipient must declare and pay VAT on the prescribed form (VAT 9) within 30 days of importation.

## **Exports**

### **Goods**

Where goods are consigned to or delivered at an address outside Zimbabwe, the supply of the goods will be zero-rated. Any goods or services consumed within Zimbabwe are not eligible for zero-rating.

With effect from 1 August 2010, 20% VAT is chargeable on the export of unbeneficiated chrome (chrome ore and fines, which have not been subjected to the processes of crushing, milling and washing to remove waste material, and the smelting of the resulting chrome concentrate into pellet or ingot form).

### **Services**

Exported services (e.g. to non-residents or services physically rendered outside Zimbabwe) can be zero-rated, provided they are rendered to persons who do not utilise the services for the purposes of carrying on a trade in Zimbabwe.

### **Refunds to foreigners**

There are no refunds of VAT paid on either goods or services purchased by a tourist who subsequently exports them directly or indirectly to foreign destinations. The law allows zero-rating of tour packages of tourist services that include accommodation and food, hunting safaris where tourists pay in foreign currency to operators of tourist facilities, hotels, and camping and safari or hunting facilities.

VAT regulations allow embassies, diplomatic missions and diplomats who pay VAT on the purchase of goods and services to claim relief by way of refunds as prescribed by the Ministry of Home Affairs on qualifying purchases. Vouchers in support of the tax claims will have to be attached to the claims.

The Commissioner may authorise VAT refunds on:

- Prescribed goods and services purchased by diplomats and foreign staff of specified diplomatic missions or certain representatives of international or regional organisations or agencies; or
- Goods or services supplied to prescribed persons.

An administration fee may be charged, but the amount has not been determined. Refund claims must be made within six years from the date of payment of the VAT.

## **Place, time and value of supplies**

### **Place of supply**

There are no elaborate rules in this regard. An operator is deemed to be trading for the purposes of VAT where the regular and continuous activities of supplying goods for a consideration take place in Zimbabwe or partly in Zimbabwe.

### **Time of supply**

The general rule is that the time of a supply is the earlier of the time an invoice is issued or any payment is received.

Various other time-of-supply rules also apply, for example in the following cases:

- Rental agreements – the time is the earlier of payment being received or when payment becomes due;
- Progressive or periodic supply of goods – the time is the earliest of any payment being received, payment becoming due, or an invoice being issued relating only to that payment;
- Instalment credit agreement – the time is the earlier of delivery or any payment being received; or

- Fixed property – the time is the earlier of registration of transfer or the date of any payment or, where no transfer or payment is made, the date of the agreement.

### Value of supply

The general rule is that where the consideration is in money, the value of the supply is the amount of money less VAT. Where the consideration is not in money, the value is the open-market value ('OMV'). Various specific rules apply, such as in the following cases:

- Connected persons, where no consideration is charged, or where goods or services are supplied for less than the OMV – the value is the OMV if the recipient is not able to claim the full input;
- Cessation as a registered operator or transfer of goods or services to a branch outside Zimbabwe – the value is the lesser of cost or OMV;
- Instalment credit agreement – the value is the cash value (being the price of the goods or services without any interest and other incidental charges);
- Adjustment in respect of change in use of assets in the trade – the value is the OMV;
- Fringe benefits – the value is the cash equivalent of the benefit;
- Public or local authorities – the value is the amount of the cash value (capital balance);
- Betting – the value is the amount received;
- Take-back bet – the value is the amount received as winnings;
- Tokens, vouchers and stamps with monetary face value – no supply is made until exchanged;
- Supply of entertainment where no input tax deduction is allowed – value is nil;
- Supply of medical or dental services to medical aid members – value is nil for medical aid scheme;
- Mixed supplies (taxable and exempt) – value must be apportioned; or
- Where any supply is made for no consideration – the value is nil, unless the connected-persons rule applies.

## VAT compliance

### Accounting basis and tax periods

Tax periods are as follows:

- Category A and B – Two-month periods and applicable to traders with a turnover below \$240 000;
- Category C – One-month periods and applicable to traders with a turnover above \$240 000, or high-risk traders, regardless of turnover; and
- Category D – Any other tax period (except if the Category C tax period was allocated to the registered operator). Category D may be applied for by the farming, pastoral and agricultural sector.

### Returns and payment of VAT

A VAT return in the prescribed form must be submitted to ZIMRA for each tax period. With effect from 1 January 2012, the VAT return must be submitted to ZIMRA not later than the 25th day of the month commencing after the end of a tax period, or where such day falls on a public holiday or a weekend, the last business day before that date. Payments are generally to be made in cash or by cheque, and at the same time when a return is submitted.

### Interest and penalties

There are two different ways of penalising a registered operator, namely:

- Penalty (up to a maximum of 100% of tax liability) and interest for failure to pay VAT when due; and

- Additional tax (equal to a maximum of 100% of tax liability) in the case of evasion or causing a refund in excess of that properly refundable.

For any month(s) while VAT remains unpaid, an additional percentage interest at the prescribed rate per month or part thereof will become payable. Interest is applicable in all circumstances where non-compliance results in the fiscus being prejudiced. The effective rate is not subject to a maximum. This interest can only be charged from the first day of the month following the month in which the return is due. The interest rate applicable is currently 10% per annum.

### Refunds

A registered operator is entitled to a refund of VAT when, in a particular tax period, his input tax exceeds his output tax. A routine refund must be paid to the registered operator within the prescribed period (currently 30 days) after the date on which the VAT return is received by ZIMRA. Where the refund is not paid out within this period, interest is payable at a rate fixed by the Minister, which is equal to interest chargeable on delayed payments made to ZIMRA.

### Time limits

The recovery of output tax is subject to a general prescription period of six years. In cases of fraud or suspected fraud, cases may be opened beyond the prescription period.

The maximum period for claiming input tax is 12 months from the end of the tax period in which the relevant tax return had to be filed.



## VAT records

### Tax invoices

A registered operator is required to issue a tax invoice within 30 days from the date of supply, but if the consideration in money does not exceed USD10, a tax invoice is not required. However, in such cases, some type of source document is required in order to enable the purchaser to claim input tax, e.g. a till slip or petty cash slip.

A tax invoice must contain the following particulars:

- The words 'tax invoice' or 'fiscal tax invoice' in a prominent place;
- Name, address and VAT registration number of the supplier;
- Name, address and VAT registration number of recipient;
- Individual serialised number and date of issue;
- Description of goods or services;
- Quantity or volume of goods or services supplied; and
- The price of the goods including VAT, in one of the following ways:
  - the amount excluding VAT, plus the VAT charged and the amount including VAT; or
  - where VAT is included in the final price, the consideration, together with a statement that VAT is included and the rate of tax, or the amount charged including VAT and the amount of VAT.

From the advent of the multicurrency system in Zimbabwe, a tax invoice may be in any foreign currency (mainly US Dollar or South African Rand), and VAT is accounted for in the relevant currency in which it was invoiced or the payment for the supply of goods or services was made.

Agents may issue tax invoices on behalf of principals. Special permission needs to be obtained to use electronic data interchange (EDI).

Where a registered operator purchases second-hand goods from a non-registered operator, the purchaser has to record the following to support his claim for input tax:

- Name, address and identity ('ID') number of the supplier (ID number of the representative person if it is a company);
- Date of acquisition;
- Quantity or volume of goods; and
- Consideration for the supply.

The recipient must verify the person's ID number or passport number. Where the amount of the supply is USD10 or more, the recipient must obtain and retain a copy of the person's ID document. In the case of a company, a business letterhead or similar document that shows the name and registration number allocated by the relevant authority is also required.

Where the goods concerned have been repossessed from a non-registered operator, the person (registered operator) exercising his right of repossession is required to keep details as mentioned above.

Fiscalised recording of taxable transaction

With effect from 1 July 2010, every registered operator in Category C (or with an annual turnover of USD240 000 and above) is required, for the purposes of recording his or her taxable transactions, to use:

- A fiscalised electronic register;
- A non-fiscalised electronic register with a fiscal memory device; or
- An electronic signature device.

The above devices have prescribed features and can only be supplied by approved suppliers. The following are the essential features:

- A screen on which the customer can see simultaneously displayed the input being made by the till operator;

- It must be capable of printing sales slips for the customer with the following details:

- the name and address of the registered operator,
  - the date and time of the transaction,
  - the VAT registration number of the registered operator,
  - the business partner number (BPN) of the registered operator,
  - the unique identification number of the register,
  - the description, quantity, price and the value of sales of the goods and services in question,
  - the amount of the tax payable, and
  - the total amount payable inclusive of the tax;
- It must be capable of retaining for a period of not less than three years fiscal memory of total daily sales, total VAT charged and total sales in the following tax liability categories:
    - sales exempt from tax,
    - sales charged at the zero rate of tax,
    - sales charged at the standard rate of tax, or
    - sales charged at a special rate of tax, as the case may be;
- It must be capable of reading, displaying and printing the sales for the day as and when required and of keeping details of such readings and the final daily readings of sales, including details of any previous readings done during that day;
- It must incorporate a backup master audit facility; and
- It must incorporate or be capable of being upgraded to incorporate a feature enabling the fiscalised electronic register to be linked to an input facility operated by ZIMRA or any other network facility.

### Credit notes and debit notes

The details are almost exactly the same as the details for a tax invoice. In addition, the amount of the adjustment (consideration and VAT) must also be reflected and it must refer to the original tax invoice that is affected by the adjustment (i.e. the invoice date and number), as well as reasons for issuing the credit or debit note. Credit notes issued and debit notes received are to be reflected as input tax on VAT returns, while debit notes issued and credit notes received are to be reflected as output tax on VAT returns.

### Additional export documentation

These may change from time to time, but the major documents are CD1 forms from the Reserve Bank of Zimbabwe, an air waybill, bill of lading, rail or road consignment notes, bill of entry, and invoices bearing foreign addresses.

### Record-keeping

Where the records are kept in book form (e.g. a sales journal, cash book or bank deposit book), these records must be kept for a period of six years from the date of the last entry in that book. Where not kept in book form (e.g. tax invoices, individual deposit slips, stock sheets, etc.), they must be kept for a period of six years after the completion of the transactions, acts or operations to which they relate.

The registered operator must keep the original documentation. Under certain circumstances, ZIMRA may authorise the retention of microfilm copies or computer tape records in lieu of the originals.

### Specific VAT rules

#### Bad debts

Bad debts written off or factored without recourse qualify for input tax credit equal to the tax fraction applicable at the time output tax was accounted for. If no output tax was paid, e.g. where the operator was allowed to account for VAT on a cash

basis, the issue of adjustment does not arise.

### Land and buildings

Sale of buildings and land, other than farmland, is standard-rated. Farmland which is used for agricultural and pastoral activities is not fixed property for VAT purposes.

### Leasing

Leasing is generally taxable as part of an instalment credit agreement, and the sum payable is standard-rated, excluding the finance charges. The letting of fixed property for use by natural persons as dwellings or the construction of such dwellings is exempt from VAT.

### Promotional gifts

Input tax will be allowed on promotional gifts.

### Second-hand goods

There are no special rules regarding second-hand sales except where fixed property subject to stamp duty is concerned. VAT is applicable on sales as normal. Normal input tax principles apply. Notional input tax applies only to fixed property where stamp duty was payable, and not to the sale of other second-hand goods. Exports are zero-rated as in all other cases.

### Tourism industry

Supplies by tour operators are treated as exports and are therefore zero-rated when payments are made in foreign currency for facilities such as food, accommodation and other tourist-related services. The payment could be made by foreign bank draft, credit card or foreign bank cheque.

### Transfer of a business

The sale of a business as a going concern is a zero-rated supply if the following conditions are fulfilled:

- Both parties are registered operators;

- The parties have agreed in writing that the trade or part of trade will be disposed of as a going concern;
- The parties have agreed in writing that the trade or part of trade will be an income-earning activity from the date of transfer; and
- The supplier disposes of assets necessary for such continuity.

If not transferred as a going concern, the assets in the business would be taxable as supplies made in the ordinary course of trade. Where one of the parties is a non-registered operator, VAT would apply as in all other trades.

### Other indirect taxes

#### Import duties

Import duties are levied on imported goods that are classified by commodity code in a customs tariff. Rates vary from duty free to an excess of 40% of the value. A surtax of 25% of the value is levied on imported second-hand light passenger motor vehicles that are more than five years old from the date of original manufacture.

#### Excise duties

Excise duties are levied on a limited number of locally manufactured commodities as listed in an excise tariff, e.g. beer, spirits, wine, cigarettes and tobacco products.

#### Transfer duty

Transfer duty is calculated at 6% of the market value of fixed property or at 3% of the value of quoted or listed shares. Unquoted shares do not attract any transfer duty.

#### Stamp duty

Stamp duty on cheques is USD0.05.





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