



Tax

Alert

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Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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Lesotho – VAT rate increase

In brief

Lesotho has announced a VAT rate increase on telecommunications and electricity with effect from 1 April 2020 ('the effective date').

More specifically, the VAT rate has been increased:

- on electricity from 8% to 9%; and
- on telecommunications from 12% to 15%.

Vendors will have to act quickly to ensure compliance.

In detail

Lesotho has, in terms of the Value Added Tax Amendment (Regulations), 2020 as published in *Government Gazette* No.17 of 20 March 2020, increased the VAT rate on electricity and telecommunications with effect from 1 April 2020.

The Regulations stipulate an increase from 8% to 9% on electricity and from 12% to 15% on telecommunications.

System updates

Systems (including secondary systems that are used for billing and other purposes) will need to be configured to apply the new VAT rate after the effective date on sales and revenue.

A new tax code with the new rate will have to be added to the system so that VAT on purchases

may be claimed both at the old and at the new rate. There may also be a knock-on effect on financial reporting.

VAT returns

The calculation of the output tax may need to be done and disclosed at different rates, and reconciliations will need to take into account different VAT rates, both on sales and purchases.

The effect on the apportionment rate will need to be determined.

Time of supply

The general rule for time of supply is the earlier of when the invoice is issued or when payment of the consideration is received by the supplier. The rate of tax applicable at the date upon which the time of supply takes



place is generally the rate that will apply.

Debit and credit notes

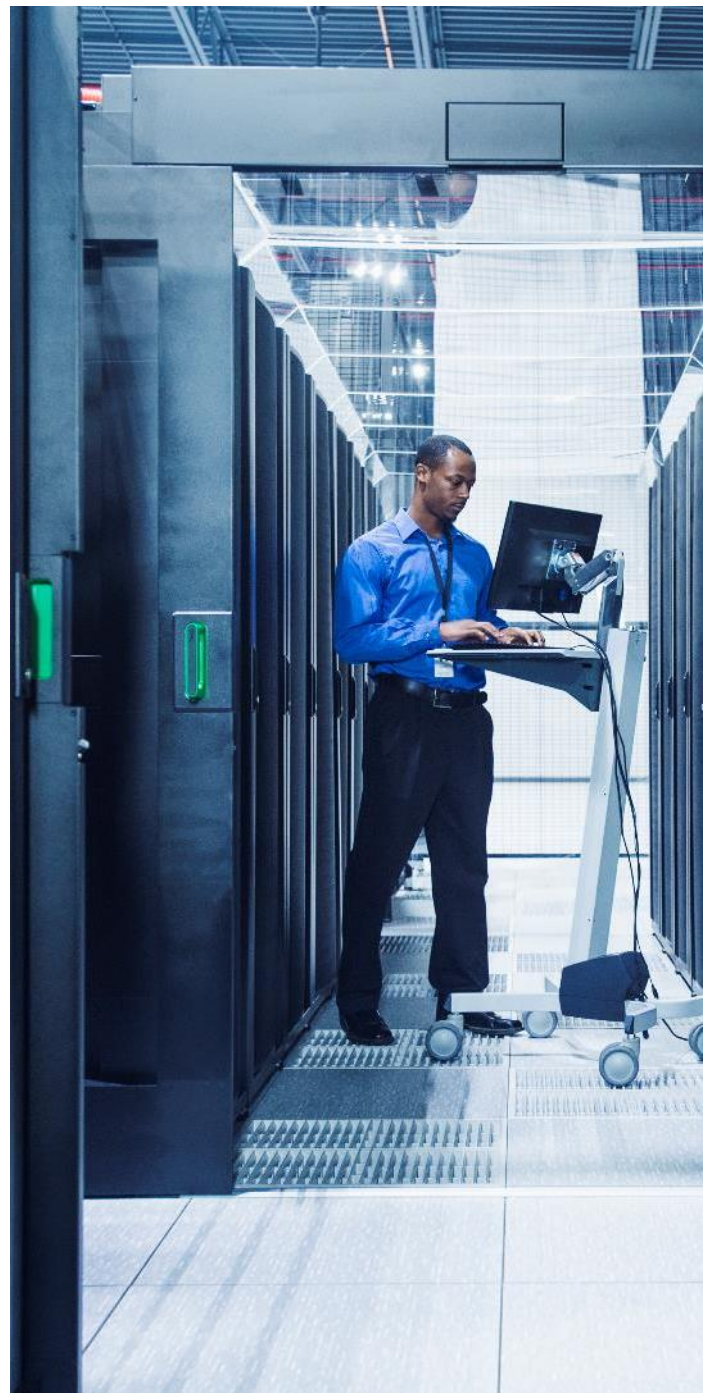
On the basis that debit and credit notes are used to correct or adjust supplies historically made, the rate of VAT to be used must be the same as the rate of VAT applied to the supply to which the debit or credit note relates.

Prices advertised or quoted to include tax

Prices advertised or quoted in respect of taxable supplies are deemed to be VAT inclusive. Vendors need to be mindful of the manner in which their prices are advertised.

Vendors who have not implemented the changed rate may suffer financial loss for non-compliance, including late payment penalties, interest, and potentially understatement penalties.

In order to ensure compliance, contact us. Let's have the conversation.



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