
Lesotho VAT rate increase and the impact on your business

16 March 2018

In brief

Lesotho has announced that the VAT rate will increase by 1 percentage point, to 15% (standard rate), with effect from 1 April 2018 (the “effective date”). The increase has not yet been approved by Parliament but the legal notice is expected to be issued on Friday, 23 March 2018.

It was further proposed that the VAT rate on telecommunication and electricity, currently 5%, will increase to 9% for telecommunication and 8% for electricity respectively.

Vendors will need to act quickly to ensure compliance.

Specific aspects will need to be addressed so that the transition is carefully planned.

In detail

System updates

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

A new tax code with the new rate will have to be added to the system so that VAT on purchases can be claimed both at the old and 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;

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.

Tax Alert

National Tax Technical

Let's talk

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

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