



# VAT and indirect taxes in Africa – A Guide 2023

**A digital Africa**



**pwc**

# A digital Africa

## Dear Esteemed Reader

A warm welcome to the 9th edition of the VAT and Indirect Taxes in Africa: A Guide, 2023 (previously known as PwC VAT in Africa Guide). It has been a year of digital revolution within the continent and we could not shy away from theming this edition – A digital Africa!

At PwC we have embraced the strategy of Solving Challenges Together. Our aim is to help our clients continue to remain relevant, grow and thrive amidst a changing and chaotic world. We are taking a bigger picture approach to solutions and not just pointing to one-off solutions. As PwC Africa, we are aware of the current economic turbulence on the continent and how this is a contributing driving force to the changes in tax policy.

This publication is geared towards bringing awareness to indirect tax policy developments in Africa to enable our clients to keep abreast of the developments and adapt their business to the changing fiscal environment.

The continent has experienced and continues to adopt technology in varied economic facets, including taxes. We have observed tax authorities digitise tax administration processes and procedures — leveraging technology enabled solutions to achieve realtime reporting, implement e-invoicing, automate tax compliance certificates processing and phase-out the manual filing of tax returns, to list but a few.

Notably, Kenya upgraded its Tax Invoice Management System (TIMS) by introducing e-TIMS, a software enabled solution that taxpayers can adopt instead of physical fiscal devices. Tanzania adopted electronic VAT reporting through Virtual Fiscal Devices (VFD), while Uganda made updates to its Electronic Fiscal Receipting and Invoicing System (EFRIS) to allow for input VAT claims relating to electronic invoices issued.

Ghana also introduced the Certified Invoicing System (CIS) to be integrated with taxpayers' systems for realtime reporting, similar to Chad, where the Finance Act of 2023 introduced the electronic invoice obligations.

We continue to see the increasing trend of African governments taxing the digital economy as a means to increase their indirect tax base, with more countries adopting tax policies requiring non-resident countries to register and levy VAT on the supply of digital services.

In Tanzania, effective 1 July 2022, non residents providing specific electronic services have a VAT registration obligation. In Kenya, the VAT regulations on digital supplies were amended to primarily target a wider spectrum of supplies made using a digital marketplace. Previously, the law expressly provided for the taxation of business-to-consumer (B2C) suppliers of services only.

Uganda also made updates to the compliance aspects of its VAT on electronic services and, effective 1 July 2022, non-resident suppliers of electronic services are required to register and account for VAT on electronic services on a quarterly basis using an online platform.

Senegal also introduced VAT on digital supplies by non-resident suppliers, while Ghana effected registration of non-resident suppliers of ecommerce services.

As many governments strive to alleviate dependance on foreign aid and public debt burdens, lawmakers have not shied away from increasing the VAT rates. Ghana increased its standard VAT rate from 12.5% to 15% effective 1 January 2023. Zimbabwe made a slight increase of 0.5% taking the VAT rate to 15%. Morocco increased the VAT rate to 20% (previously 10%) for lawyers, interpreters, notaries, adels, bailiffs and veterinarians.

Excise duty has undergone changes in various countries. In Ghana, bills to amend the Excise Duty Act were passed into law in March 2023, where cigarettes and tobacco products will now be subject to both an ad valorem rate and a specific duty rate among other changes.

The Gambia expanded its list of second-hand goods/ materials that are now subject to the 5% environmental levy while Senegal introduced a tax to be levied on plastic bags, pouches and cones or similar plastic material. These changes are a testament to the fact that Africa is gaining momentum in effecting environmental, social and governance (ESG) measures and relying on indirect taxes for responsible environmental behaviours.

Significantly, South Africa introduced a domestic reverse charge mechanism on transactions relating to gold to curb VAT refund fraud that had been prevalent in the second hand gold market. This domestic reverse charge applies where both the supplier and recipient are registered vendors, and it places the requirement to declare the VAT on the sale of the valuable metal on the recipient and not the supplier.

Renaming the publication to 'VAT and indirect taxes in Africa' has been as a result of the decision to expand our scope of coverage to include more than VAT and its equivalents. The publication highlights recent developments, not only in the VAT sphere, but other indirect taxes, such as import duties, excise duty, carbon/ environmental taxes, and relevant miscellaneous levies and fees across the continent.

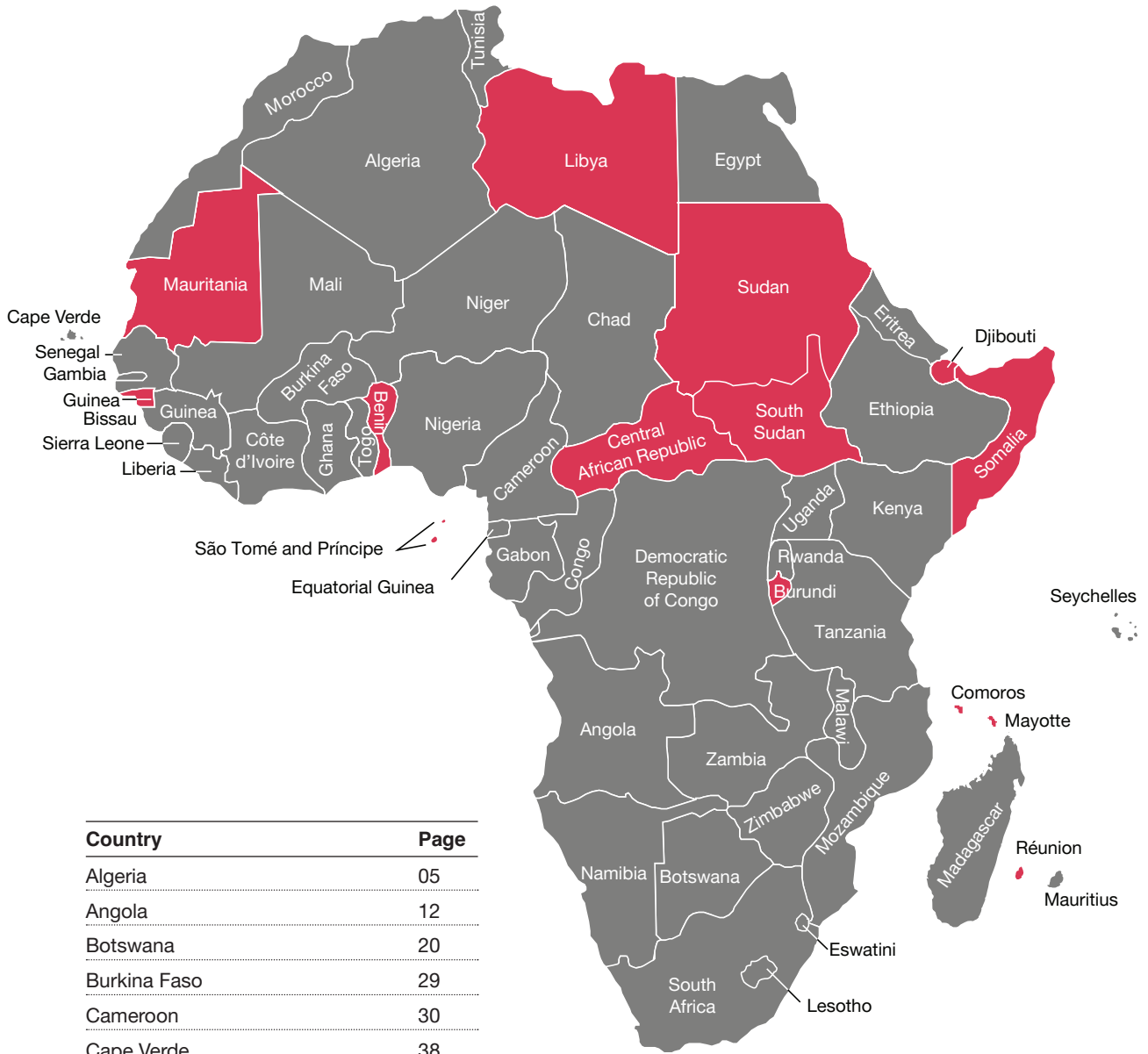
Lastly, we wish to thank our indirect tax experts who have compiled this edition across the 43 countries featured based on tax laws in force as of 1 May 2023. Two countries, Burkina Faso and Togo, have been featured in our publication for the first time.

We hope you find our analysis insightful. Our team is available to answer any questions you may have, to enable us to address your needs.

Happy reading!



**Job Kabochi**  
PwC Africa Indirect Tax Leader  
[job.kabochi@pwc.com](mailto:job.kabochi@pwc.com)



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# Table Indicating current VAT rate compared to the VAT rate as at the release of the VAT and indirect taxes in Africa – A guide 2023

Country	Current VAT/GST rates	Previous VAT/GST rates
Algeria	19%	19%
Angola	14%	14%
Botswana	14%	14%
<b>Burkina Faso</b>	<b>18%</b>	–
Cameroon, Republic of	19,25%	19,25%
Cape Verde	15%	15%
Chad	18%	18%
Congo, Democratic Republic of the	16%	16%
Congo, Republic of	18%	18%
Côte d'Ivoire	18%	18%
Egypt	14%	14%
Equatorial Guinea	15%	15%
Eritrea	12%	12%
Ethiopia	15%	15%
Gabon	18%	18%
Gambia	15%	15%
<b>Ghana</b>	<b>15%</b>	<b>12,50%</b>
Guinea	18%	18%
Kenya	16%	16%
Lesotho	15%	15%
Liberia	10%	10%
Madagascar	20%	20%
Malawi	16,50%	16,50%
Mali	18%	18%
Mauritius	15%	15%
Morocco	20%	20%
Mozambique	16%	17%
Namibia, Republic of	15%	15%
Niger	19%	19%
Nigeria	7,50%	7,50%
Rwanda	18%	18%
Senegal	18%	18%
Seychelles	15%	15%
Sierra Leone	15%	15%
South Africa	15%	15%
Eswatini	15%	15%
Tanzania	18%	18%
<b>Togo</b>	<b>18%</b>	–
Tunisia	19%	19%
Uganda	18%	18%
Zambia	16%	16%
<b>Zimbabwe</b>	<b>15%</b>	<b>14,50%</b>

**Note:** The VAT rates indicated above are for the general supply of goods and services, which in many instances falls outside the scope of specific supplies and are subject to reduced rates. Please consult the individual information provided for each of the jurisdictions for more information.

# Algeria



## Contact details

Physical address	01, Rue Ammar Mahasri, groupe de propriété n°05, section 5 – Hydra 16035. Alger, Algérie
Postal address	01, Rue Ammar Mahasri – Hydra 16035. Alger, Algérie
Tel	+213 21 98 21 00
<b>PwC contact</b>	
Lazhar Sahbani	lazhar.sahbani@avocats.pwc.com
Amine Machalikh	amine.mechalikh@pwc.com
Website	<a href="https://pwc.algerie.pwc.fr/">https://pwc.algerie.pwc.fr/</a>

## Introduction

Value-added tax (VAT) was introduced in Algeria in April 1992 and concerns industrial and commercial transactions.

## Scope of VAT

### Territoriality of VAT

VAT applies only to transactions deemed to be made in Algeria (art. 7 of the Algerian Turnover Tax).

Definition of a business deemed to be made in Algeria:

- Sale: when it is carried out under the conditions of delivery of the goods in Algeria
- Other operations: when the service rendered, the right transferred, the object leased or the studies carried out are used or exploited in Algeria.

### Taxable transactions

#### Taxable transactions by nature (art. 1 The Turnover Tax Code 'CTCA')

VAT applies on:

- operations of sale, real estate works and provision of services other than those subject to special taxes of an industrial, commercial or artisanal nature and carried out in Algeria on a regular or occasional basis. This tax applies regardless of the legal status of the persons who intervene for their realisation or their situation with regard to other taxes, the form and nature of their intervention
- import operations.

### Transactions taxable by specific provision of the law (Art. 2 CTCA)

VAT applies on:

- real estate works
- self-supplies by taxable persons
- rental operations, provision of services, studies and research work, as well as all operations other than sales and real estate work
- operations carried out by banks and insurance companies
- sales of real estate or goodwill by persons who habitually or occasionally purchase such property on their own behalf with a view to reselling it
- shows, games and entertainment of any kind organised by any person, even if acting under the cover of associations governed by the legislation in force
- transactions involving the exercise of self-employment professions irrespective of their nature
- telephone and telex services provided by postal and telecommunications services
- sales transactions carried out by supermarkets, multiple trading activities and retail trade, excluding transactions carried out by taxpayers subject to the flat-rate system

“VAT is entirely supported by the consumer. It is however regularly collected whenever a taxable transaction is carried out

Lazhar Sahbani, Partner, Tax and Legal Services,  
PwC Algeria

## Taxable transactions by option (Art. 3 CTCA)

Natural or legal persons carrying on business outside the scope of VAT may opt to be subject to this tax, to the extent that they supply:

- for export
- to oil companies
- to companies benefiting from the free VAT purchase mechanism.

This option is valid for a period expiring on December 31 of the third year following the year in which it took place and renewable by tacit agreement unless expressly waived.

## VAT rates

VAT rates in Algeria are as follows:

- Reduced rate: 9% for goods and services of particular economic, social or cultural interest. Exhaustive list of goods and services subject to the reduced rate is provided by article 23 of the turnover tax code.  
  
The reduced rate applies also until 31.12.2024 to services related to tourist activities, hotel and thermal activities, travel, listed restaurants activities, and rental of touristic transport vehicles.
- Standard rate: 19% for transactions, goods and services not specifically subject to the reduced rate.



## VAT registration

### VAT registration in general

No VAT registration is required in Algeria. Companies must register with relevant tax authorities, where a tax identification number will be assigned.

VAT related to all kinds of operations is declared and paid through monthly declarations called Gn°50.

### Non-residents

Non-resident suppliers with no legal presence in Algeria must appoint a representative domiciled in Algeria in order to comply with local regulation and fulfill their VAT obligations, as provided for by Article 63 of the CTCA. Appointing a VAT representative in Algeria is not required in transactions subject to the reverse charge mechanism.

Failing this, the tax and, where appropriate, the related penalties shall be paid by the client on behalf of the person not having an establishment in Algeria.

## Input VAT deduction

### Right of deduction

Basic principles:

- The VAT charged on the cost price components of a taxable transaction is deductible from the VAT applicable to that transaction.
- The deduction is valid if, after or without processing, the materials, products, objects or services are used in a transaction which is effectively subject to VAT.
- The deduction is to be operated in respect of the month or quarter in which the VAT was payable. The tax which deduction has been omitted may be included on subsequent returns up to 31 December of the year following the year of the omission.
- If the VAT due for a month or a quarter is less than the deductible VAT, the remainder is carried forward to the following months or quarters.

The deduction is not allowed for invoices paid in cash when the amount of the invoice exceeds DA1,000,000.

### Scope of application

Right to deduct:

- The right to deduct VAT is intended for taxable persons carrying out taxable supply transactions.
- It is also intended for (Article 32 of the CTCA):
  - export transactions
  - transactions for the supply of goods and services to an exempt sector or benefiting from the tax-free purchase regime
  - transactions of sales of exempt products and services whose prices or margins are regulated.

Transactions not giving rise to a right of deduction:

- transactions outside the scope of VAT
- retail trade activities
- commissionaires and brokers
- Sports meetings of all kinds.

VAT excluded from the right to deduct:

- VAT charged on goods and services used for private use or for a non-taxable activity
- VAT charged on services, spare parts and supplies used for the repair of goods excluded from the right of deduction
- VAT charged on passenger cars and passenger transport vehicles not constituting the main tool of the holding
- VAT on donations and gifts.

Obligations relating to the right to deduct:

- mandatory information on invoices
- the turnover statement must be submitted to the tax collector within 20 days of the calendar month.

This statement must be supported by a report containing, for each supplier, the following information:

- tax identification number (\*)
- surname and first name(s) or company name
- address
- trade register entry number (\*)
- invoice date and reference
- amount of purchases made or services received
- amount of VAT paid.

(\*) The tax identification number and the trade register number must be authenticated according to the procedure in force.

## VAT free purchases regime

### Overview

- This regime enables a taxable person who is unable to charge the VAT paid on his purchases to acquire, free of VAT, goods and services intended either for export or for the production of goods expressly exempted by law.
- The transactions benefiting from this regime are expressly listed by law.
- This regime needs to obtain an authorisation setting an annual quota of VAT-free purchases from the territorially competent regional tax director (or DGE), under certain conditions and in accordance with a specific procedure.
- Existence of VAT free purchase formalities and obligations borne by the beneficiary of the authorisation.

## Scope of application

Operations benefiting from VAT free purchases regime:

- goods and services listed in executive decree 14-06 acquired by suppliers of oil companies assigned exclusively to hydrocarbon activities defined by article 2 of the Hydrocarbon Law 19-13, such as:

– Upstream activities including:

The activities of exploration, research, evaluation, development, and exploitation of hydrocarbons. These activities include the separation, the fragmentation, the compression, the collection and supply, the on-site storage and disposal of hydrocarbons. They also include the management activities inherent to these operations as well as abandonment and rehabilitation of sites. In the case of offshore activities, upstream activities also cover floating facilities, including gas storage, shipping and liquefaction.

– Downstream activities including:

The activities of transport by pipeline, refining, processing including the manufacture of lubricants and the regeneration of used oils, storage and distribution.

Please note that Upstream activities and Downstream activities mentioned above benefit from the exemption regimes provided for by Article 9-9 of the CTCA referred to in section “Exempt supplies”.

- purchases or imports of goods made by an exporter for export or re-export in the same condition or for incorporation in the manufacture, composition, conditioning or packaging of products for export, as well as services directly linked to the export operation.
- purchases or imports of goods, made by an exporter, intended either for export or re-export in the same state, or for incorporation into the manufacture, composition, packaging or wrapping of products intended for export, as well as services directly linked to the export operation.
- Goods and services acquired in the context of a contract concluded between a foreign company not having a permanent professional establishment in Algeria and a contracting party benefiting from this regime.



Quota (contingent):

- The authorisation for VAT-free purchases, which shall be valid for one calendar year, shall be issued for an annual quota, the amount of which may not exceed:
  - either the sales value, excluding tax, of goods normally subject to VAT, delivered by the beneficiary during the previous financial year, or
  - the amount, excluding tax, of purchases of such products during the previous year plus 15%.
- An additional quota may be granted on presentation of supporting documents justifying the need for the requested increase.
- A provisional quota fixed at  $\frac{1}{4}$  of the previous year's quantum may be granted at the beginning of the calendar year pending the renewal of the annual authorisation.
- When a newly established company applies for the quota approval, a provisional quota with a quarterly deadline is granted. This quota is then revised to set the limit for value added tax-free purchases until the end of the calendar year.

## Output VAT

### Description

Taxable turnover includes the price of goods, works or services, including all costs, duties and taxes, excluding VAT itself.

The taxable turnover for self-employment activities is constituted by the gross amount of the fees and revenues realised.

The operative event is constituted by:

- the legal or physical delivery of the goods for resale activities
- the total or partial collection for services provision.

VAT related to each month is declared and/or paid through the monthly declarations G50 to be submitted before the 20th of the following month.

### Exempt supplies

The below operations are exempt from VAT:

#### Business done inside the country:

- Operations excluded from the scope of VAT, such as:
  - listed products liable to the sanitary tax on meat
  - gold, silver and platinum articles, subject to the guarantee right, except luxury jewellery
  - transactions carried out between companies of the same group as defined by provisions of the Algerian Tax Code.
- Operations expressly exempt from VAT as provided for by article 9 of the CTCA as amended and completed by Finance Law 2023.

- Raw oil, press cakes generated from in-country trituration and oilseed cakes are exempt from the value added tax, for a five-year period.

#### Import business:

- Products which domestic sale is exempt from VAT are, on importation, exempted under the same conditions.
- Also exempt from VAT on imports:
  - goods placed under one of the customs duty suspensive regimes
  - goods subject to exceptional duty-free admission
  - aircrafts intended for use by air navigation companies
  - articles and products, raw or manufactured, for use in the construction, fitting out, repair or conversion of aircrafts, approved flying schools and training centres
  - the refurbishment, repair and transformation of Algerian ships and aircraft abroad
  - goods imported under barter arrangements in accordance with the conditions provided for by the laws and regulations in force
  - ships intended for shipping companies listed under certain headings of the Customs Tariff.
  - works of art, paintings, sculptures, works of art in general and any other work of national cultural heritage when imported by national museums as part of the repatriation of national cultural heritage from abroad.

#### Export business:

- sales and processing businesses relating to exported goods, subject to some conditions provided by Article 13 of CTCA
- the business of selling and processing of goods of national origin delivered to legally established bonded warehouses.

## International trade

### Goods and services

Goods and services imports are subject to VAT at the rate of 19% or 9%, except where a specific exemption applies.

The taxable base is constituted by the customs value including all duties and taxes, excluding VAT itself.

Goods and services intended for export are generally exempt from VAT under some conditions (Article 13 of CTCA).

However, there are some exceptions such as sales of antiques, paintings, watercolours, postcards, drawings, original sculptures, engravings or prints, gemstones, rough or cut, fine pearls, precious metals, etc.

The taxable base for taxable products is the value of the goods at the time of export, including all duties and taxes, excluding VAT itself.



## Place, time and value of supply

### Operative event and due date

Article 14 of the Algerian Turnover Tax Code (CTCA) specifies the operative event as per the below:

- sales and similar operations: physical or legal delivery of the goods
- real estate works: total or partial collection of the price
- self-deliveries of manufactured movable goods and real estate works: delivery
- provision of services: total or partial collection of the price
- import: introduction of the goods into customs
- export: presentation to customs.

### Time of supply

VAT related to each month is declared and/or paid through the monthly declarations G50 to be submitted before the 20th of the following month.

### Value of supply

- For operations carried out inside the territory: The taxable turnover includes the price of the goods, works or services, all costs, duties and taxes included, excluding VAT itself.
- For import operations: The taxable base is constituted by the customs value including all duties and taxes, excluding VAT itself.
- For export operations: The taxable base for taxable products is the value of the goods at the time of export, including all duties and taxes, excluding VAT itself.

## VAT compliance

### Accounting basis and tax period

VAT is accounted for at the time of receipt of the invoice. It is declared to the tax authorities under a statement (series G n°50) indicating the turnover realised with the payment of all mandatory taxes.

VAT related to each month is declared and paid through the monthly declarations G50 to be submitted before the 20th of the following month.

### Interest and penalties

Any late payment of the VAT will give rise to a penalty, calculated on the amount to be paid, by a percentage which differs according to the period of delay:

- Between the 21st of month N+1 and the last day of month N+1, the penalty is 10%.
- Beyond month N+1, a penalty of 3% will be added every month to the initial rate until it reaches 25%.

## Withholding VAT obligation

In Algeria, VAT is not declared by a withholding system. Each taxpayer will have to pay the VAT for the transactions carried out.

Non-resident suppliers with no legal presence in Algeria have to appoint a representative domiciled in Algeria in order to comply with local regulation and fulfil their VAT obligations, as provided for by Article 63 of the CTCA.

In some cases, and under certain conditions, the VAT can be declared and paid by the Algerian customer through the reverse charge mechanism (case of foreign suppliers who do not have permanent business facilities in Algeria) as provided for by Article 83 of the CTCA.

## VAT refunds

### Overview

- If the deductible VAT cannot be fully offset against the output VAT, the resulting VAT credit can be refunded by the tax authorities, in certain cases restrictively listed by law.
- The refund is granted to the taxpayer, under certain conditions expressly provided for in the law.
- A refund application file must be submitted by the taxpayer, in accordance with a specific refund procedure provided for by law.



## Right of reimbursement

Refunds are provided for where the deductible VAT cannot be fully offset against the VAT due on taxable transactions carried out by a taxable person, in the following cases:

- Exempt transactions:
  - export transactions
  - trade operations of goods, goods and services expressly exempt from VAT
- Transactions involving the supply of goods, works, goods and services to a sector which is exempt or which benefits from the VAT-free purchase authorisation regime.
- The cessation of activity: The refund of the VAT credit is determined after regularisation of the overall situation of the taxpayer, in particular with regard to the repayment of initial deductions and capital gains on business transfers.
- The difference in VAT rates: This can be resulting from the application of the standard rate on the acquisition of materials, goods, depreciable goods and services and the reduced rate on taxable business.
- Transactions carried out by partial payers: refund limited to the deductible VAT fraction, the non-deductible fraction being regarded as a deductible expense for the purpose of determining taxable profit.

## Refund condition

- Keeping of accounts in the regular form.
- Production of a cleared statement of account or a payment schedule.
- Mention of VAT credit tax on the monthly G 50.
- Amount of the transaction in respect of which VAT was due must be duly deductible according to articles 29 and 41 of Turnover Tax code.
- Application for refund of the VAT credit must be submitted by the 20th of the month following the quarter in respect of which the refund is requested, at the latest. For partial taxpayers, applications for refunds must be submitted by 30 April of the year following the year in which the credit was established.
- No deferral of the VAT credit for which the refund is requested as soon as the refund application is submitted.
- The refund application must be for an amount equal to or higher than DA1,000,000, otherwise it will be inadmissible. This threshold does not apply to partial taxpayers and taxpayers who have ceased their activity.

## VAT record-keeping

### Tax invoice

For VAT to be admissible, the invoice must include the following statements:

- name, address and tax identification of the client
- name, address and tax identification of the supplier
- legal form of the economic agent and nature of the activity
- date of transaction
- order number of the invoice
- method of payment and date of payment of the invoice
- amount excluding VAT
- name and quantity of goods or extent of services
- unit price excluding tax of the goods sold and/or services provided
- total price excluding tax of the goods sold and/or services provided
- rate of VAT, and the VAT amount (the VAT is not mentioned if the buyer is exempt from it)
- total payable amount including all taxes expressed in figures and letters.

### Record-keeping

Records of invoices must be kept for a period of 10 years.

## Specific VAT rules

### Bad debts

VAT related to bad debts cannot be deducted or refunded.

### Digital economy

Sales transactions carried out by electronic means are subject to VAT set at the rate of 19%.

### Land and buildings

Transactions relating to immovable property such as land and buildings are subject to value added tax standard rate.

### Leasing

Leasing operations are subject to VAT at a standard rate.

### Secondhand goods

Transactions involving used motor vehicles and used bicycles and motorcycles are subject to VAT standard rate.

## Tourism industry

Touristic activities are subject to VAT.

## Currency conversion

Invoices related to import/export transactions are allowed to be in foreign currency however the applicable VAT shall be converted to Algerian dinars.

## Transfer of business

VAT standard rate applies to transfer of business and ongoing business.

## Warranty repairs

No VAT applies for repairs under warranty as the original goods were costed to allow for such repairs.

## Other indirect taxes

### Import duties

There are customs duties in Algeria which can vary from 5 to 30%. In addition, the Internal Consumption Tax can reach 60%. Additional customs duties called DAPS may be applicable on certain lists of products. The DAPS rate could reach 200%.

### Stamp duty

Stamp duty is levied at varying rates on transactions, including the execution of various documents and deeds.

### Other indirect taxes publications

#### Bank domiciliation tax

The bank domiciliation tax is set at 0.5% for the importation of goods or merchandise intended for resale in the same state and at 1% for the import operations operated within the framework of CKD/SKD, without the amount of the tax being lower than DA 20,000.

For importation of services the Bank domiciliation tax is set at 4%.

#### The tax on polluting and environmentally hazardous activities

This tax applies to the activities listed in the annexure to Executive Decree No. 09-336 of 20 October 2009, which defined the activities subject to the tax on polluting or environmentally hazardous activities and set the multiplier coefficient.

#### Energy efficiency tax

The rate of the EE tax, required at customs clearance, varies between 5 and 30% of the ex-works price of the product for locally manufactured products and between 5% and 40% for imported products (by energy class, etc.) according to article 70 of Finance Law 2017.



# Angola



## Contact details

<b>Physical address</b>	Edifício Presidente Largo 17 de Setembro, n.º 3, 1.º andar – Sala 137 Luanda, Angola
<b>Postal address</b>	Porto Office Park, Avenida de Sidónio Pais, 153 – Piso 1, 4100-467 Porto
<b>Tel</b>	+244 227 286 109 / +244 227 286 111
<b>PwC contact</b>	
Susana Claro	susana.claro@pwc.com
Hugo Salgueirinho Maia	hugo.salgueirinho.maia@pwc.com
<b>Website</b>	www.pwc.com/ao/pt

## Scope of VAT

VAT applies on:

- supply of goods: the transfer of the right to dispose of tangible property as owner
- supply of services: as a residual concept it includes all operations carried out that are not a supply of goods or an importation of goods or money
- import of goods: the entry of goods into the territory of the country is in accordance with the customs legislation.

The following persons are liable for the payment of VAT:

- any person carrying on an economic activity on an independent basis
- importers (in accordance with the customs legislation)
- any person who unduly charges VAT on an invoice
- any person that is a purchaser of services from non-resident entities
- the state, except when acting within its power or authority and from which competition distortion does not result.

## Standard regime

All entities with a turnover or goods import operations higher than AOA350,000,000 are liable to the standard VAT regime. These taxpayers and those that choose to be framed in the standard regime should assess VAT on the supplies of goods and services and, in principle, are able to deduct the VAT incurred on their purchases.

Entities operating in the manufacturing industry are always obliged to be on the standard VAT regime. However, the entities operating in the manufacturing

industry whose turnover or import of goods are less than AOA10,000,000 can be excluded from the standard VAT regime.

The taxpayers subject to this regime should:

- assess VAT on invoices issued
- file a monthly VAT return and pay the VAT amount until the last working day of the month following that to which the transactions relate and file all the respective annexes of the VAT return
- have organised accounting according to Angolan PGC (Angolan GAAP).

## Stamp Tax

When carrying out operations exclusively VAT exempt, without the right to deduct, taxpayers are required to pay Stamp Duty on receipts, at a rate of 7%. International air transport of passengers and rental of real estate are subject to a 1% rate.



## Simplified regime

Taxpayer whose turnover or goods import operations is equal to or less than AOA350,000,000 fall under the simplified regime.

According to this regime, taxpayers must pay, on a quarterly basis, an amount of VAT corresponding to 7% of the amount received from non-exempt transactions, including advance payments, less 7% of the total VAT incurred. When acquiring services from non-resident entities, must self-assess VAT at the rate of 7%.

### Stamp Tax

Taxpayers under this regime must pay Stamp Duty on receipts, of transactions that, under the standard VAT regime would be VAT exempt, at a rate of 7%. International air transport of passengers and rental of real estate are subject to a 1% rate.

The Stamp Duty paid is a cost deductible for corporate income tax purposes.

Taxpayers under the simplified regime may opt to be included in the standard VAT regime if all the following requirements are fulfilled:

- organised accounting according to Angolan PGC (Angolan GAAP)
- absence of tax and customs debt
- registration duly updated in the system of the General Register of Taxpayers
- issuance of invoices/equivalent documents through certified billing software
- submission by electronic transmission of data regarding the VAT returns, as well as the elements of its accounts.

When changing from the simplified to the standard VAT regime, an entity is allowed to deduct the VAT incurred on goods to be sold that have been acquired in the 12 months preceding the change and upon authorisation from the Angola Tax Authorities.

## Non taxation regime

Taxpayers whose turnover or goods import operations are equal to or less than AOA10,000,000 are excluded from the scope of application of VAT.

## VAT rates

The general VAT rate is 14%.

However, the following reduced VAT rates are applicable to a specific set of transactions:

- 2%: On imports and supplies of goods in the Province of Cabinda. This rate was introduced by Law No. 22/19 of 20 September 2019 (Special Regime of Cabinda), and
- 7% for the provision of hotel and restaurant services. For the entities to apply this reduce rate, the following requirements must be met: registration of real estate and motorised vehicles for the development of the activity; issuance of invoices through electronic means; filing of tax returns of the previous tax years;
- 5% and 7% for certain foodstuffs and other products.

## 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 must be submitted 15 days prior to the start of operations.

### Voluntary and group registration

No provision is made for voluntary registration, neither for group registration.

### Non-residents

Non-resident entities without a permanent establishment in Angola who carry out transactions liable to VAT in Angola to private individuals (which cannot self-assess VAT) shall register in Angola and appoint a resident legal representative. The legal representative and the non-resident entity are jointly liable to the Angolan Tax Authorities.

### Application for registration

No instruction explaining the procedure has been published by the tax authorities.



## Deregistration

Deregistration is achieved through completion and submission to the tax authorities of the proper application form, which shall be filled within 30 days from the end of activity.

## Input tax deduction

### Input tax allowed

Taxpayers are allowed to deduct VAT of goods and services used for the purposes of the taxed taxable or zero-rate transactions.

VAT deduction is only allowed if the taxpayer holds the relevant invoice or equivalent document duly issued.

VAT deductions is blocked in relation to the following expenses:

- acquisition, manufacture or import, utilisation, transformation and repair of passenger vehicles, pleasure boats, helicopters, aircraft and motorcycles
- acquisition or import of tobacco
- accommodation, meals and transport expenses, including those related to the reception of business visitors and the expenses related to buildings or part of buildings and their equipment, intended principally for such reception.

However, input tax is allowed when they relate to goods or services whose supply constitutes the main activity of the taxable person.

### Partial exemption

Taxpayers carrying out simultaneous transactions that grant the right to deduct VAT and VAT exempt supplies can recover VAT on inputs on an apportionment basis (pro rata method).

### Oil investing companies

Input VAT deductions is denied for oil investing companies, in relation to the following expenses:

- supply of water and energy
- services related to electronic communications and telecommunications
- accommodation services.

In production phase, VAT deduction is also denied in relation to:

- lease of equipment, except if it arises in the payment of royalties
- consultancy, legal, tax, financial, accounting, and Information Technology (IT) services
- security services
- lease of vehicles.

## Output tax

### Brief description of output tax

Output tax is calculated by applying the applicable VAT rate to the taxable value.

In Angola, there is a captivation regime (withholding VAT) which consists of VAT being withheld by recipient of goods/services in determined sectors:

- 100% captivation — by the state (except public companies) and oil investing companies
- 50% captivation — Angolan National Bank, commercial banks, insurers and reinsurers and telecommunication operators

AGT can decide on the inclusion or exclusion of taxable persons from the obligation to captivate VAT, whenever justified reasons of protection of public revenues exist.

There are some goods/ services not subject to the captivation regime, for instance, transmissions of goods made by supermarkets or services provided by commercial banks.

### VAT exempt supplies

The following supplies of goods and services are VAT exempt:

- medicinal products intended exclusively for therapeutic and prophylactic purposes
- wheelchairs and similar mobility aids for the disabled, typewriters and printers for braille characters and articles to be used by the blind
- books, including in digital form
- leasing of immovable property for residential or commercial purposes, in particular urban buildings, separate parts thereof or building lands, with the exception of the supply of services of accommodation services provided in the course of hotel activity
- transactions subject to property transfer taxes (SISA), even if exempted
- games of chance and of social entertainment, as well as the respective commissions and all related transactions, when they are subject to Special Tax on Games
- collective transport of passengers
- financial intermediation operations, including financial leasing, except for those where a specific and predetermined fee is charged for the service (Annex III)
- health and life insurance, as well as its reinsurance
- petroleum products, in accordance with Annex II of the VAT Code
- services related to education
- medical services realised by hospitals, clinics and similar organisations

- transport of sick or injured people in ambulances or other appropriated vehicles by duly authorised organisations
- medical equipment for the exercise of the activity of health establishments.

## Zero-rated supplies

The following supplies of goods and services are Zero-rated:

- export of goods
- supply of goods 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
- supply of goods for aircrafts used by airline companies mainly engaged in international traffic and used to carry passengers for reward, or used for the purpose of a commercial or industrial activity
- supply of goods for rescue vessels, maritime assistance, coastal fishing and war vessels, when they leave the country for a foreign port
- supply, transformation, repair, maintenance, freight and leasing of vessels and aircrafts, as well as the supply of goods and the supply of services made in order to satisfy their direct needs and the respective load and of goods to certain international entities
- supply of goods under international treaties and agreements to which Angola is a party, when the exemption results from them.

## International trade

### Imports

#### Goods

Goods imported into Angola are subject to VAT.

The following import of goods are VAT exempt:

- goods that are exempt if supplied within the country
- gold, coins or banknotes, produced by the Bank of Angola
- goods for philanthropic purposes or to mitigate the effects of natural calamities, namely, droughts, floods, storms, cyclones, earthquakes, pandemics and others of identical nature, provided that the respective purpose is duly recognized by the AGT
- foreign currency performed by the banking financial institutions
- goods or equipment intended for the exclusive or direct execution of petroleum and mining operations, under the law that establishes the Customs Regime for the Petroleum Sector and the Mining Code respectively
- goods by entities under projects of international cooperation.

### Services

Services acquired by an Angolan taxpayer from foreign suppliers are liable to VAT, to be reverse-charge by the acquirer, except for:

- services related to immovable property located outside Angola
- services in relation to movable tangible goods performed totally or mainly outside Angola
- leasing of motor vehicles, aircraft, pleasure boats or any other transport vehicles, made available outside Angola
- artistic, scientific, sporting, recreative and teaching services, including those of the organisers of these activities and accessory supplies, that take place outside Angola.

### Exports

#### Goods

Exports of goods are zero-rated.

#### Services

Services provided to foreign taxpayer are not liable to VAT, except for:

- services related to immovable property located in Angola
- services in relation to movable tangible goods performed totally or mainly in Angola
- leasing of motor vehicles, aircraft, pleasure boats or any other transport vehicles, made available in Angola
- artistic, scientific, sporting, recreative and teaching services, including those of the organisers of these activities and accessory supplies, that take place in Angola

Nonetheless, services used or whose effective exploitation occurs in Angolan territory are liable to VAT in Angola, even if the acquirer is non-resident in Angola.

## Place, time and value of supplies

### Place of supply

The place of supply of goods is the place where the transport of the goods to the customer begins or, in the case no transport occurs, the place where the goods are made available to the acquirer.

The place of supply of services is the place where the acquirer has established their business or has a fixed establishment.

Exceptions to the above rules include:

- services connected with immovable property located outside Angola — the place where the property is located

- services relating to movable tangible property performed totally or mainly outside of Angola — the place where the service takes place
- cultural, artistic, sporting, scientific, educational, entertainment or similar activities, performed outside of Angola — the place where the service takes place
- transport services — distance travelled in Angola
- services used or whose effective exploitation occurs in Angolan territory.

## Time of supply

The chargeable event shall occur, and VAT shall become chargeable when the goods or the services are supplied.

When the supply of goods and services is made under a contract that foresees periodic and successive payments, the supply is regarded as being completed on expiry of each period.

When the supply of goods and services give rise to an invoice, VAT is due at the time the invoice is issued or until the end of the deadline for its issuance (fifth working day following the operation that caused it) if it is not met.

## Value of supply

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, VAT is charged on the customs value, determined according to customs legislation, added to the following elements, to the extent that they are not yet included in the customs value:

- import duties, taxes or fees due on import, with the exception of VAT itself
- ancillary expenses such as packaging, transport, insurance and other charges, including any port or airport charges incurred, which take place up to the first place of destination of goods within the country.



# VAT compliance

## Accounting basis and tax period

The accounting must be organised in such a way as to make it possible to know clearly and unequivocally the elements necessary for the VAT calculation, as well as to allow for its control, containing all the data necessary for the filing of the periodic VAT return.

VAT returns are submitted on a monthly basis, both for the standard VAT regime and the simplified VAT regime.

## Returns and payment of VAT

The VAT return comprises a cover page, a suppliers annex and regularisation annexes.

VAT returns must be submitted until the last working day of the month following that to which the transactions relate to.

If a “VAT to be paid” is calculated, the VAT must be paid until the last working day of the month following that to which the transactions relate to.

If a “VAT credit” is calculated, it may be carried forward to the following month or subject to a refund claim, as further explained below.

## Tax assessments, objections and appeals

The tax authorities may issue additional assessments, and taxpayers are entitled to challenge such assessments, under certain conditions.

Taxpayers may claim before the tax authorities (Administrative Claim) or before the Court (Judicial claim).

- interest and penalties:
  - In the case of negligent conduct, the non-payment or late payment of the VAT due is subject to a fine of 25% of the missing VAT amount and Interest is also be applicable
  - delay in submission of the VAT return: 5.862 UCF per infraction
  - delay or missing on the submission of the SAF-T files for purchases and sales :AKZ300.000
  - In the case of fraudulent behaviour (which is presumed), the fine doubles.
  - If the taxpayer proceeds with a supply of goods or services with no invoice or equivalent document support, the fine may be:
    - 7% of the value of the invoice not issued
    - 15% of the value of the invoice not issued, in the case of repeated failure.



## Time limits

The status of limitation is five years.

After the notification of an additional assessment, the tax liability has a limitation period of ten years.

## VAT refunds

VAT refunds may be submitted if:

- Its amount is higher than UCF 3.409 (1 UCF = AOA 88);
- the VAT credit persists after three months;
- the tax credit situation results from the carrying out of exempt transactions that grant the right to deduct;
- the taxpayer becomes part of the non-subject VAT regime may request a refund when, or
- there is cessation of activity.

VAT refund are only accepted if the following conditions are meet:

- the taxpayer is not in a situation of declaratory failure, relating to VAT, excise taxes, income taxes and property taxes, with reference to previous tax periods
- the taxpayer has reported electronically all the invoices issued and received in the previous period or periods and there are no discrepancies
- the taxpayer has reported electronically the SAF-T file related to the previous period or periods and there are no discrepancies
- existence of a bank account held by the taxpayer, confirmed by the relevant banking financial institution established in Angola and the banking financial institutions shall indicate the corresponding availability account with the Bank of Angola
- the input tax does not relate to a taxable person with a non-existent or invalid tax identification number, with the exception of transactions where the tax is payable by purchasers, nor to taxable persons who have suspended or ceased their activity in the period to which the tax relates and are not listed in the annex of suppliers.

The refund, when due, must be made by the Tax Authority until the end of the third month following the submission of the respective request. The Tax Authority may suspend this period for 30 days from the date of receipt of the notification when, due to facts attributable to the taxpayer, it is not possible to assess the legitimacy of the refund requested.

The Refunds, once confirmed, are granted in cash or tax credit certificate to be issued by the Angolan Tax Authorities.

## VAT record-keeping

The documents and records must be kept in Angola.

## Specific VAT rules

### Bad debts

A taxpayer may deduct VAT previously invoiced to a debtor if the debt has been formally recognised by the court as a bad debt under an enforcement or insolvency process or in case it has been outstanding for more than 18 months. If the taxpayer subsequently recovers all or part of the outstanding debts, they must account for output tax.

### Leasing

The taxable base on the lease of movable goods is the capital amount.

### 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 569 fiscal correction units (UCF), and the total amount of supplies of these goods, in a year, does not exceed the amount of 22.727 UCF.

### Secondhand goods

Secondhand goods are subject to the VAT Margin scheme, under which VAT is applicable to the difference between the sale price and the purchase price.

### Currency conversion

When invoices are issued in foreign currency, the taxable basis should be determined using the Angolan Central Bank exchange sale rate on the date on which the VAT becomes chargeable.

### Transfer of business

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



## Additional information related to VAT

### Legal regime of invoices and equivalent documents

For VAT purposes, invoices must be issued no later than the fifth working day following the date of the supply of the goods or service.

Invoices must be written in the Portuguese language and contain the following references:

- name, address and tax registration number of the supplier and customer
- date and unique sequential number
- description of the goods supplied or services rendered with an indication of their quantity
- unit and total price in Kwanza
- VAT rate(s) applied and the corresponding VAT amount(s)
- if no VAT has been applied, specific indication of the reason for not charging VAT
- the date and place where the goods were put at the disposal of the purchaser, where the services were provided, and where applicable, the date on which advance payments are made
- date of issue
- identification of the IT system used for the issue of the invoice or equivalent document, as well as where applicable, the respective certification number.

### 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 comply with various requirements applicable to invoices, must always make reference to the invoices to which they relate, and must explicitly mention the amendment. The rules applicable to credit notes apply to debit notes as well.

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

### Withholding of VAT by commercial banks, in the processing of payments by card

Commercial banks involved in the processing of payments by card, through POS (Point Of Sale), related to supplies of goods and service are obliged to withhold 2.5% of each payment. This amount must be transferred directly to the State, within 24 hours after the closing of the accounting period of the automatic payment terminals; the remaining amount is transferred to the retailer's bank account.

Retailers may deduct the total amount of the VAT withheld in their VAT return, as a payment on account.

## Other indirect taxes

### Import duties

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

### Customs duties

Customs duties are levied on imports at ad valorem rates varying from 2% to 70%.

Listed equipment may be imported temporarily if a guarantee is provided in favour of the Angola Tax Authorities. In addition, a 2% customs fee is due on importation.

The export of goods that are not produced in Angola is subject to customs duties at the rate of 20% plus customs fees (at rate of 0.5%) computed on the customs value, with the exception of goods covered by the Customs Regime Applicable to the Petroleum and Mining Sectors. A special exemption regime applies for the oil industry.

Update of the customs duties and rates applicable to certain products as per Annex II of the State of Budget of 2022



## Excise duties

Excise duty entered into force in Angola on 1 October 2019.

It was published, Law No. 16/21, of July 19 – Excise Duty Law, which revokes Laws No. 8/19, of 24 of April and No. 18/19, of 13 August.

All production, imports, and sales by public auction are subject to excise duty, with rates of 0%, 2%, 3%, 4%, 5%, 8%, 15%, 19%, 20%, 25% and 50%, depending on the product.

The excise duty code covers operations with the following products:

- sugar and alcoholic beverages
- tobacco and its derivatives
- fireworks
- jewellery and goldsmith articles
- aircraft and pleasure craft
- firearms
- art objects, collages and antiques
- petroleum products
- vehicles
- plastic bags and straws
- Tyres, as specified in the table of Annex I of the Excise Duties Code.

Producers are required to assess the excise duties when goods are made available to purchasers/clients and should be submitted in duplicate and electronically, until the last day of each month.

The Excise Duties Code also provides for some exemptions, including:

- exports by the producer itself
- goods imported by international organisations
- raw materials for domestic industry
- goods intended for laboratory and scientific research purposes
- personal goods defined by customs legislation
- goods intended for education
- goods intended for consumption as provisions for any means of collective transport of passengers with international traffic;
- products sold on board of collective transport of passengers for international traffic
- Electric vehicles.

The tax stamp is mandatory, according to the model approved by a specific Diploma, to manufactured beverages, tobacco and its substitutes, referred to in Annex I of this Law.

The establishments that produce beverages, tobacco, and its manufactured substitutes and petroleum products, referred to in Annexes I and II of this Law, must be equipped with a counting and measuring system for electronic transmission of data to the AGT in an automatic manner of information related to production.

The counting and measurement systems referred to above must be certified by AGT, under the terms to be regulated.

The lack or delay in the electronic submission required implies the payment of a fine of Kz: 300,000.



# Botswana



## Contact details

Physical address	Plot 64289, Tlokweng Road, Gaborone
Postal address	PO Box 294, Gaborone
Tel	+267 370 9700

## PwC contact

Rudi Binedell	rudi.binedell@pwc.com
Nilusha Weeraratne	nilusha.weeraratne@pwc.com
Website	<a href="http://www.pwc.com/bw">www.pwc.com/bw</a>

## 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, 2001 and subsequent amendments. The Value Added Tax Act 2001 is currently under revision and it is expected that the VAT Bill will be introduced to parliament in the 2023/2024 legislative cycle. Botswana has also released for public comment, the draft Tax Administration Bill.

The VAT Bill No.6 of 2023 was presented to parliament and is expected to be approved. It includes certain amendments to the zero rated and exempt supplies.

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, value added tax, customs and excise duty, capital transfer tax, payroll taxes, the alcohol levy, transfer duty etc. The VAT system is also used to collect the training levy which is payable by persons registered for VAT in Botswana.

## Rates and scope

The standard VAT rate of 14% applies to all taxable 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 by a registered person and the importation of goods or services into Botswana, other than an exempt import. 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
- 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.

Botswana has a reverse VAT charge mechanism in relation to the supply of imported services. The supply will form part of the service recipient's taxable supplies.

## VAT registration

### Compulsory registration

Any person (including the state, local authorities, boards, partnerships, natural persons, trusts and companies) that carries on a taxable activity and makes taxable supplies, in Botswana pula of BWP1,000,000 (approximately USD76,500) 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. The state or a local authority that carries on a taxable activity must be registered from the date of commencement of that activity.

Compulsory registration is not required if the Commissioner-General is satisfied that the value of taxable supplies exceeded BWP1,000,000 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
- the replacement of capital goods used in the taxable activity carried on by that person.

A taxable activity is an activity:

- That is carried on continuously or regularly by any person 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
- Of a local authority or unincorporated association or body that involves, in whole or in part, the supply of goods or services for consideration.

### Voluntary registration

A person who makes or intends to make taxable supplies, but is not liable to register, may apply to the Commissioner-General for registration, provided that the person's taxable supplies in a 12-month period exceed BWP500,000.

Voluntary registration will be 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

No group registration is catered for in Botswana. Divisions or branches of a company may register separately, subject to certain conditions, e.g. maintenance of independent accounting systems, and if the branch/division can be separately identified through the nature of its activities or location.

### 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 BWP1,000,000.

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 the country. A public officer or director is considered a representative for VAT purposes.

### Application for registration

In order to be registered for VAT a person must also be registered for corporate income tax (CIT).

“The standard VAT rate of 14% applies to all taxable supplies that do not qualify for an exemption or zero-rating. There is no other higher or reduced VAT rate

Rudi Binedell, Partner, Assurance Services,  
PwC Botswana

The registration application form BURS 1 must be completed and submitted to BURS (for all relevant taxes). The application form should be accompanied by the identity documents of the directors; work and residence permit of the non-resident director; 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. Every person liable to be registered must apply to the Commissioner-General for registration within 21 days of becoming liable.

Typically, BURS will require proof of annual taxable supplies to finalise registration. Proof may be a contract or agreement, bank statements or any other financial data to support that the annual taxable supplies do, or will, exceed the registration threshold of BWP1,000,000 (or BWP500,000 voluntary registration).

Where a person has access to BURS' online platform — eServices — and the registering company's tax profile, a VAT registration application may be submitted through this platform.

Failure to apply for registration when required to 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 VAT. The registration number format is based on the unique identification number (UIN) issued to the entity by the Companies and Intellectual Property Authority (CIPA) with an entity identifier.

## Deregistration

A registered person may apply in writing to deregister at any time should the value of their taxable supplies fall below BWP1,000,000 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 (14/114) 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 deemed not to be 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
- supply of certain agricultural farming implements and the supply of tractors specified under Customs Tariff Heading 8701.90 when acquired for farming to the extent provided in the regulations.

## Zero-rated supplies

Adequate documentation must be retained to satisfy the Commissioner-General that a supply qualifies for zero-rating. 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 a 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 at the time the services are rendered, 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 immovable property situated in Botswana or directly in connection with movable property situated in Botswana (unless the movable property is exported from Botswana subsequent to the supply of services), or when the supplier refrains from undertaking an activity in Botswana
- services relating to intellectual rights for use outside Botswana
- a 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
- the first 5,000 litres of water per month by the Water Utilities Corporation to a residential dwelling
- brown bread, vegetables, fruit, rice, samp, milk and bread flour as specified.

## 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. BURS is very particular that valid tax invoices must 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 refreshments 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 taxable transportation service
- 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 relates to 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 tax are transferred to the making of non-taxable supplies, output tax 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
- transfer of assets in a bank from a taxable to an exempt division.

## Pre-registration or post-deregistration VAT

VAT on expenses incurred on goods (including imports other than capital goods) 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. An import of goods occurs, in the case of goods required to be entered for home consumption, when the goods are so entered, or in any other case, when the goods are brought into Botswana. 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, or the Commissioner-General is satisfied that the importer has regularly paid all tax due on imports within the prescribed period.

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.

As a general rule, 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 Eswatini includes, for VAT purposes, cost of 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 furnish the Commissioner-General with an import declaration and pay the VAT due within 30 days of the import of the service.

There are no specific VAT rules on the supply of electronic services. However, with the revision of the Value Added Tax Act, 2001 it is anticipated that specific VAT rules on the supply of electronic services will be included.

## Exports

As a general rule, 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.

It is important to note that where a registered person has applied the rate of 0% to a supply, they must obtain and retain documentary proof acceptable to the Commissioner-General to substantiate their entitlement to apply the zero rate.

In addition to the above, the minister may by order deny zero-rating of supplies exported from Botswana if such action is necessary to protect revenue or to offset restrictions placed on zero-rating of comparable supplies by the export country.

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 BWP500,000. 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 — regarding the supply of goods: when the goods are removed or made available; or in the case of a supply of services: when the 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, metre or other device operated by coin, note or token — when the coin, note or token is taken from the machine, metre 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 earliest
- 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 earliest
- 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 by the international financial services centre company
- 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
- 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 amount in money or kind, paid or payable for the supply or import by any person, directly or indirectly, including any 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  $(14/114 \times \text{VAT-inclusive price})$ .

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

- related persons (if the supply is made for no consideration or for a consideration less than the fair market value) — fair market value i.e. the value that the supply would generally fetch if freely offered, between persons who are not related parties
- supply made for no consideration or for consideration 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 — the 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) — the 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 (excluding tax) or fair market value of the supply
- supply made for no consideration — the fair market value
- bets — the 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

- consideration paid or payable in kind — the fair market value of the consideration.

## VAT compliance

### Accounting basis and tax period

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 BWP12,000,000, and one month for those exceeding BWP12,000,000 per annum.

The Commissioner-General can also require a person to report on a monthly basis on the ground that the person has regularly defaulted in performing any obligations under the VAT Act.

### Returns and payment of VAT

The VAT return must be filed within 25 days after the end of the tax period, whether or not VAT is payable in respect of that period. Where output tax exceeds the input tax, the VAT return must be accompanied by a payment equal to the difference.

### Interest and penalties

Monthly compounded interest is levied on late payment at 1.5% per month or part of a month, on the unpaid amount, calculated from the date on which the payment was due until the date on which payment is made.

The Commissioner-General may, if 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 satisfied that it is just and equitable to do so, or where satisfied that such tax is irrecoverable.

A penalty of the higher of BWP50 per day or an amount equal to 10% of the tax payable for the period, per month or part of a month that VAT remains outstanding, may be imposed for late submission and/or late payment. A penalty of up to BWP5,000 may be levied on a NIL return.

### 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 that 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 they should be made within 30 days of the assessment.

Upon application in writing by a person dissatisfied with an appealable decision, the Commissioner-General may, where satisfied that owing to absence from Botswana, sickness, or other reasonable cause, the person was prevented from lodging an objection within 30 days and there has been no unreasonable delay by the person in lodging the objection, accept an objection lodged after 30 days.

The Commissioner-General shall serve the person objecting with a notice in writing of the decision on the objection.

## 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
- where a person has paid VAT in respect of any imports of goods — in the next tax period.

A claim for a refund must be made within three years from the date that the excess arose.

## Assessments

The Commissioner-General may make an assessment of the amount of tax payable by the person or of the amount of tax represented by the person as payable in respect of a supply where:

- a person fails to furnish a return
- the Commissioner-General is not satisfied with a return or import declaration furnished by a person
- the Commissioner-General has reason to believe that a person has become liable for the payment of an amount of tax but has not paid such amount
- a person, other than a registered person, supplies goods or services and represents that tax is charged on the supply

- a registered person supplies goods or services and the supply is not a taxable supply or is a taxable supply charged with tax at the rate of zero percent and, in either case, the registered person represents that a positive rate of tax is charged on the supply.

The assessment may be issued at any point if the default was due to fraud or wilful neglect.

## VAT records

### Tax invoices

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

- the words 'tax invoice' displayed prominently
- date of issue
- serial number
- names, addresses and VAT registration numbers of supplier and recipient
- clear description of goods or services supplied, including quantity and volume
- 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 their 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.

## Import declaration documents

Where tax is payable on imported goods, an import declaration shall be furnished to the Commissioner-General, in the format prescribed.

Where the entity has a deferral account, they shall be furnished by BURS with a statement generated by the customs management system (CMS statement).

### 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, or any other person liable for tax under the VAT Act, must maintain the following records 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
- 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 and is liable on conviction —

- where the failure was made knowingly or recklessly, to a fine not exceeding BWP10,000, or to imprisonment for a term not exceeding two years, or to both, or
- in any other case, to a fine not exceeding BWP5,000 or to imprisonment for a term not exceeding one year, or to both.

## 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 amount of the deduction allowed is the amount of tax paid in respect of the supply which corresponds to the amount of the debt treated as bad.

A deduction is only allowed if the debt was 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. 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 output tax. 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 second-hand as defined
- the goods must have been supplied by a person not registered for VAT
- the goods must be acquired from a person resident in Botswana
- the goods must be acquired in Botswana, i.e. not imported
- 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 Commissioner-General 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 person, the quantity/volume, a description of the goods, etc.
- 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, an 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 ongoing 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, the supply would be treated as a standard rated supply.

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, the supply would be treated as a standard rated supply.

## Other indirect taxes

### Import duties

There are no import duties on goods brought in from within the Southern African Customs Union, which includes South Africa, Namibia, Lesotho and Swaziland (eSwatini). 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.

### Training levy

Training levy, although not an indirect tax *per se*, is a levy collected through the VAT system and is levied on all VAT registered persons at a rate of 0.05% of annual turnover in excess of BWP2bn and 0.2% on annual turnover up to BWP2bn. There is an oil industry turnover rate of 0.05% on regulated petroleum products. However, quick-shop sales attract a 0.2% rate for such oil industry companies. The rate is applied to the turnover for the tax period.



# Burkina Faso



## Contact details

<b>Physical address</b>	<i>PwC does not have an office in Burkina Faso. PwC Côte d'Ivoire, based in Abidjan, offers consultancy services to foreign investors.</i> Imm. ITC, Bât D 3e étage, Angle rue Booker Washington - Blvd Hassan II, Cocody
<b>Postal address</b>	01 B.P. 3173, Abidjan 01, Côte d'Ivoire
<b>Tel</b>	+225 27 22 55 84 00
<b>PwC contact</b>	
Dominique Taty	d.taty@pwc.com
Fousséni Traore	fousseni.traore@pwc.com
K.Richard Ouattara	richard.ouattara@pwc.com
<b>Website</b>	<a href="https://www.pwc.com/ci/en.html">https://www.pwc.com/ci/en.html</a>

## Introduction

VAT was introduced in Burkina Faso more than 20 years ago. It was implemented by Law 4/92/ADP of 3 December 1992 and came into force on 1 January 1993.

## Scope of VAT

VAT is charged on the supply of goods and services rendered or used in Burkina Faso, subject to the exemptions list. All economic activities fall within the scope of VAT, including the activities of independent professionals (lawyers, chartered accountants etc.), except for salaried activity.

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 Burkina Faso), plus any excise duties.

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

A VAT prepayment or withholding tax scheme was introduced in 2022.

## Rates applicable

To date, the standard VAT rate is 18%. This rate is reduced to 10% for accommodation and catering services provided by hotels and restaurants.

## Registration threshold

Individuals, or company, who independently carry out, on a regular or occasional basis, one or more transactions subject to VAT, when their turnover exceeds XOF50,000,000.

Also, individuals, or company, exercising a liberal profession as well as the holders of offices are automatically subject to VAT, regardless of the amount of turnover achieved.

The state and its local bodies and public establishments are automatically liable for VAT on their industrial and commercial activities.

Every person liable for VAT must file a VAT return by the 15th of each month, on a model form issued by the tax administration, in respect of transactions which occurred during the previous month.

Where a taxpayer is not domiciled in Burkina Faso, they must have a representative domiciled in the country accredited with a tax department, who undertakes how to complete taxpayers' obligations.

Otherwise, the penalties are required from the beneficiary of the transaction.

# Cameroon



## Contact details

Physical address	PricewaterhouseCoopers Tax & Legal Sarl, Immeuble PwC, Rue Christian Tobie Kouoh
Postal address	P O Box 5689, Bonanjo, Douala, Cameroon
Tel	+237 233 43 24 43/45/46
<b>PwC contact</b>	
Magloire Tchande	magloire.tchande@pwc.com
Bernard Noutsawa	bernard.noutsawa@pwc.com
Nguy Feindjom	nguy.b.feindjom@pwc.com

## 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 independent or related professions.

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

- discounts, rebates and commissions, provided that they appear on an initial invoice or on a rectified bill
- 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
- cash receipts such as interest in 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 of which taxpayers 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 either natural persons or corporate/commercial entities realising an annual turnover before tax equal to or in excess of XAF50m (EUR76,224.50).

### 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 or legal person liable as a statutory or actual taxpayer to payment of a tax, duty or levy, or an instalment thereof, by virtue of the provisions of the General Tax Code, must register online with the competent tax authority of the area within 15 working days following the start of their activities. They must also attach a site plan to such registration and provide an electronic address.

The obligations mentioned above are also applicable to operators of e-commerce platforms.

## Deregistration

In the event of an establishment being closed 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.

## 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 affected 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
- loan forgiveness and commercial debt write-offs
- payment of commissions to travel agencies for the sale of domestic flight tickets
- sales of goods and services in Cameroon or through foreign or local e-commerce platforms (since January 2020)
- commissions received by e-commerce platform operators for carrying out transactions mentioned in the paragraph above (since January 2020).

### Exempt supplies

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

- real estate transactions of all kinds carried out by non-professionals
- transfer of real estate rights in rem and transfer of business assets subject to the transfer duty or an equivalent tax
- 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 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 the producer,
  - small fishing equipment, seeds, agricultural machinery and tools, their inputs and spare parts for plants for manufacturing the said machinery and tools
  - 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:
  - 20m<sup>3</sup> per month for water
  - 220kW per month for electricity
- 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
- contracts and commissions on life insurance products with a savings component
- 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 and consular missions, and international organisations in conformity with modalities provided by regulation
- material and equipment used in harnessing solar and wind energy
- interest on real estate loans contracted by natural persons to acquire low-cost houses, if it is their first dwelling house, on the basis of a clearance issued by the tax authority
- the sale of low-cost houses to natural persons acquiring their first dwelling house subject to a clearance from the tax authority
  - provision of services invoiced by promoters to members of approved management centres (AMCs) (AMCs provide management assistance and guide their small-size members in the accomplishment of their tax obligations)
  - materials and equipment specifically designed for persons with disabilities, the list of which shall be established by regulation
  - urban public transport by bus (subject to option)
  - universal postal service-related services rendered by postal service providers under the terms and conditions laid down by the regulations in force
  - interest on negotiable debt securities issued by the state and regional and local authorities
  - interest paid on loans less than CFA francs 2,000,000 (two million) granted by first category microfinance institutions to their members.

## 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 and assessed on the basis of actual earnings.

### Input tax expressly denied

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

- 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
- services relating to goods exempted from the right to deduction.

VAT initially deducted shall be paid in full in the case of goods and services which are not fixed assets, where such goods and services were used for transactions not liable to VAT.

The full repayment of the Value Added Tax initially deducted shall also be required where the goods and services concerned were the subject of misappropriation or fraud committed directly or indirectly by a partner or a manager of the company.

### 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 of taxable products
- 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
- 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 from the private sector (generally with a turnover amounting to XAF3bn, or where the taxpayer is an affiliate of such enterprise, and mentioned on a list established by a ministerial order).

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.

VAT is levied at the place of provision or use of the service, production or first release for consumption. A distinction must be made according to whether the provision of services is materially locatable or immaterial (intangible).

Services materially locatable in Cameroon shall be taxable in Cameroon at the general rate provided, irrespective of the place of establishment of the lessee.

These include:

- hire of means of transport
- services related to a building
- port services carried out in the port area as well as on national territorial waters
- intra-community transport of movable tangible property by road or rail
- services incidental to the intra-community transport of movable tangible property
- cultural, artistic, sporting, scientific, educational and recreational services, accommodation and sales for consumption on the spot
- work and valuations of movable tangible property
- services of intermediaries acting in the name and on behalf of others.

Intangible services are taxable at the place of establishment or residence of the customer. These include:

- transfers and concessions of copyrights, patents, licence rights, trademarks and other similar rights
- rental of tangible movable property other than means of transport
- advertising services
- the services of consultants, engineers and design offices in all fields, including those of the organisation of research and development
- the services of chartered accountants
- data processing and information supply
- banking, financial, insurance and reinsurance operations, except for the rental of safes
- the provision of staff
- the services of intermediaries who act in the name and on behalf of third parties in the provision of the services described above
- telecommunications services
- radio and television broadcasting services
- services supplied by electronic means
- access to, and supply through, electricity or natural gas transmission and distribution networks and all other services directly linked thereto.

Intangible services shall be taxable at the general where the lessee is not liable to VAT.

## 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
- 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
- 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.

In merger-absorption transactions, the absorbed company may transfer to the absorbing company the pending validated VAT credits at its disposal on the date on which it legally ceases to exist.

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 a benefit for the taxpayer.

Default in registering for operation of e-commerce platforms shall result in a suspension of access to the platform from Cameroonian territory.



## 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.

No application for a refund or offsetting of VAT may be submitted based on receipts of payments in cash.

For general trade activities which by their nature are not likely to generate a structural credit value added tax, any carry-forward credit on subsequent returns shall not be accepted beyond a period of three months after prior approval by the relevant tax administration services.

The General Tax Code stipulates that the refund of VAT is based on the level of risks the company is classified in. The General Tax Code has provided three level of risk, listed below:

- low-risk companies
- medium-risk companies
- high-risk companies.

VAT credit refunds shall be made in accordance with the following terms and conditions:

- for low-risk companies, reimbursement shall be automatic without the implementation of a prior validation control procedure
- for medium-risk companies, reimbursement shall be made after a credit validation control procedure
- for high-risk companies, refunds may only occur after a general accounting audit procedure that must be completed within one month after submission of the application for refund.

The criteria of classification of companies within the risks level above are provided in the General Tax Code.

## Objections and appeals

A taxpayer who feels wrongly taxed or overtaxed may submit a written claim to the head of the Regional 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 Head of the Regional Taxation Centre, the Director in charge of the Large Tax Unit or the Director General of Taxation fails to react after 30 days, the taxpayer may automatically forward their claim to the Minister in charge of Finance.

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

- the Head of the Regional Taxation Centre or the Director in charge of the Large Tax Unit will grant tax relief up to the sum of XAF30m in principal and 30m for penalties and additional charges
- the Director General of Taxation will grant tax relief up to the sum of XAF100m in principal and XAF100m for penalties and additional charges.

Where the decision of the Regional Taxation Centre, of the head of the structure responsible for managing the 'Large Taxpayers Unit', or of the Director-General of Taxation does not fully satisfy the claimant, they may forward their claim within 30 days to the Minister in charge of Finance, who will respond within a time limit of two months.

Where the taxpayer's arguments are justified, the Minister in charge of Finance is entitled to grant a tax relief for principal taxes and levies of an amount exceeding XAF100 hundred million as well as for penalties and additional charges of an amount exceeding XAF100 hundred million.

## 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.

According to the Finance Law 2019, the limitation period for VAT refund requests is three 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 from 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 ten years. Where accounting is conducted 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 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
- 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 lists of irrecoverable taxes to the Director of Taxation.

For each irrecoverable tax, the relevant list 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 an application, to industrialists and leasing establishments that have purchased equipment and whose corresponding VAT cannot be offset through the recovery mechanism within a period of one year.

## 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 their business licence, personal income tax and VAT (Category A).

## Tourism industry

Tourist guides are subject to a discharge tax, excluding payment of their business licence, 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 on by the parties to 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

Excise duties are imposed on luxury goods (natural fruit juices, mineral water, gaseous drinks, wines, spirits and other fermented drinks, tobacco and cigarettes, caviar, slot machines, lottery machines, etc.), on certain imported cosmetic products that endanger the health of the skin (hydroquinone and cosmetic products containing hydroquinone) as well as mobile telephone communications and Internet services. The taxable base is the turnover.

For imports of luxury goods, the taxable base consists of the customs value, increased by customs duties applicable. Where certain tobacco and alcoholic beverages are concerned, the value is the transactional value. There are minimum taxes applicable to tobacco and alcoholic beverages.

The rates of the excise duty in Cameroon are presented as follows:

Super high rate:	50%
High rate:	30%
General rate:	25%
Average rate:	12.5%
Reduced rate:	5%
Extra abated rate:	2%

According to the 2019 Finances Law, in the specific case of alcoholic beverages, the excise duty amounts resulting from the application of the 25% above shall contain another specific tax rate.

The specific rate is an amount (e.g. XAF2, XAF3, XAF8, etc.) that applies per centilitre, depending on the nature of the concerned alcoholic beverage.

### Stamp duty

Stamp duty in CEMAC countries 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

## Contact details

### Physical address

*(The Indirect Tax department servicing Cape Verde is located at PwC Portugal)*

Edifício BAI Center, Piso 2 Dto., Avenida Cidade de Lisboa, Cidade da Praia, Cape Verde. R. Sousa Martins nº1, 2º, 1069-316 Lisboa, Portugal

### Tel

+238 2615 934, +351 917246647

### PwC contact

Leendert Verschoor      leendert.verschoor@pwc.com

Susana Caetano      susana.caetano@pwc.com

Armando Rodrigues      armando.rodrigues@pwc.com

## Introduction

VAT was introduced in Cape Verde with effect from 1 January 2004 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 include:

- 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
- 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 include:

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

The VAT rate is 10% for lodging in hotels and similar facilities, as well as catering and tour operators who are resident micro, small and medium-sized companies — on all combined services rendered in Cabo Verde in 2023.

VAT is also levied on the importation of goods.

Tax registration is done by submitting the application form (form 110) to the competent tax office at the start of activities.

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

- any person resident in Cape Verde or with a permanent establishment or representing office there, carrying out an economic activity independently and on a regular basis, whatever the purpose, or performing operations on an occasional basis, that are 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)
- any person resident in Cape Verde or with a permanent establishment there that acquires services from non-residents, such as consultancy, engineering, accounting, supply of staff, licences etc.

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 '*IVA-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 operations.

### Voluntary registration

No provision is made for voluntary registration.

### Group or branch registration

No provision is made for group registration.

### Non-residents

Non-resident entities without a 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) to the competent tax office at the start of activities. 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 and 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 in relation to 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
- sand and certain equipment.

## Zero-rated supplies

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
  - medicines and other pharmaceutical products exclusively for therapeutic and prophylactic purposes.
  - seed, fertilisers and fishing tools.

## Input tax

### Input tax allowed

VAT is fully recoverable in the case of taxpayers carrying out fully taxable activities, subject to complying with the legal requirements. 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, 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 goods
- expenses on business trips and transport for entrepreneurs or employees
- 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
- importation of goods by entities under 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 the preparation and coordination of construction works
- services performed in relation to 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, licences, trademarks and similar rights
- advertising services
- telecommunication services
- services of consultants, engineers, consultancy bureau, lawyers and accountants, and other similar service providers, including services related to 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
- services by intermediaries 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
- 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
- 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 where 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 their 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 they have their permanent address or usually reside.

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
- 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
- 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 of Activity of the taxpayer.
- Closedown return — to be submitted within 30 days after the cessation of activities in Cape Verdean territory.
- 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
  - 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

The non-payment or late payment of the VAT due is subject to a fine that may vary from 100% to 200% of the amount of unpaid tax. In the case of negligent conduct, the fine varies between 10% and 50% of the unpaid tax. This fine cannot exceed (in Cape Verde escudo) CVE40m and cannot be lower than CVE7,000.

Interest may also be applicable if there is 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
- 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 take the form of 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 eight years, which means that the tax authorities have five years to notify the taxpayer of any VAT due (the deadline counts from the date the VAT is due) and eight 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.

## Tax invoices

Invoices must be issued by any person or entity that carries out an economic activity on an independent basis, whether regularly or occasionally.

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 imposes control measures over the issuance of invoices, as follows:

- issuing invoices is mandatory for any supply of goods or services
- rectifying documents must contain cross-references to the invoice that is amended, and must explicitly mention the amendment
- the wording 'equivalent documents' has been deleted from VAT law.

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 required elements 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)
- if no VAT has been applied, specific indication of the reason for not charging VAT.

Invoices and other fiscally relevant documents must be issued by electronic means, since 1 July 2021.

Taxpayers can issue those documents through one of the following systems:

- Electronic invoicing computer system developed or acquired by the taxpayer (certified by the Tax Authorities)
- Public software made available by the Tax Administration on its website.

## 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 explicitly mention the amendment. The rules applicable to credit notes apply to debit notes as well.

VAT may or may not be included on credit notes. 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 Documento Aduaneiro), 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
- 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 VAT previously invoiced to a debtor only if the debt has been formally recognised by the court as a bad debt under an enforcement, bankruptcy or insolvency process. If the taxpayer subsequently recovers all or part of the outstanding debts, they 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.

### Secondhand 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.

As mentioned, the VAT rate is 10% for lodging in hotels and similar facilities, catering and tour operators who are resident micro, small and medium sized companies.

There is a special regime for travel agencies and tour operators. Where these operators deal with 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 secondhand goods, 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 on the date on which the VAT becomes chargeable or on 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 including 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 has been applied to accommodation in the hotel sector. The tax amounts to CVE276 (EUR 2.5) per person, per night, for people aged over 16 years for a period not exceeding ten consecutive nights.

### Customs statistics tax (TEA)

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



# Chad



## Contact details

**Physical address** Immeuble Star Nationale, Avenue Charles de Gaulle

**Postal address** BP 1899 N'Djamena, Chad

**Tel** +235 65 05 59 82/ +235 65 74 12 02

## PwC contact

Magloire Tchandé magloire.tchande@pwc.com

Beaudry Katchi beaudry.katchi@pwc.com

Noussaina N'diekhor noussaina.ndiekhor@pwc.com

**Website** www.pwc.com/td

## Introduction

VAT was introduced into Chadian legislation on 1 January 2000 by Law Number 024/PR/99 to replace turnover tax.

## Rates and scope

Since January 2022 there, are three rates applicable to transactions subject to VAT:

- the standard rate is 18% on a 'without taxes' basis and applies to all taxable operations
- the medium rate is 9% on local products: sugar, oil, soap, textiles and iron and handcraft and fishing materials
- the 0% rate applies to exports and related international transportation, aircraft groomers with Jet A1 for planes to foreign countries, products and by-products of the local food industry excluding alcohol.

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 for VAT even if the residence of the natural person or the registered office of the legal entity is located outside of Chad.

From January 1, 2023, electronic services provided in Chad attract VAT.

Electronic services include services provided by foreign or local e-commerce platforms as well as commission received by the operators of these platforms.

The tax basis corresponds to the amount of money paid for the provision of goods or services, including:

- Taxes, duties and levies of any kind except VAT and withholding tax on wholesales.
- Incidental expenses related to the delivery of goods and services billed to customers.
- Allowances which are damages and interests.
- Subsidies which are the sole consideration for a taxable transaction or which constitute an addition to the price of such a transaction or are intended to offset globally the insufficiency of the operating revenue of a company.
- Reimbursements of costs incurred by a supplier on behalf of its customer, unless they are re-invoiced for their exact amount (disbursements), and on the express condition that the invoice is accompanied by original documents.

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) online via the E-TAX platform or manually within 15 days from the beginning of their 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). Branches shall be registered in the trade register. A branch shall have a legal representative who has to perform several administrative formalities (administrative authorisation for pursuing a commercial activity, foreign merchant's card, etc.).

Therefore, a branch shall make a declaration of existence and register with the Directorate of Large Companies online via the E-TAX platform or manually within the 15 days from the beginning of its activities.

There is no group registration.

## Non-residents

Financial operations carried out between Chad and foreign countries outside of the Central African Economic and Monetary Community (CEMAC) area are subject to either a declaration or an authorisation:

- Foreign direct investments in Chad shall be declared to the Central Bank and the Ministry of Finance at least 30 days before their achievement.
- Direct investments in Chad: An increase in capital made by a foreign investor resulting from reinvestment of undistributed profits shall be declared to the Central Bank and the Ministry of Finance within 30 days following the completion of the operation.
- The transfer out of Chad of the proceeds of liquidation or disposal of foreign direct investments shall be declared to the Central Bank and the Ministry of Finance at least 30 days before their realisation.
- The realisation as well as the liquidation of foreign direct investments in Chad shall be declared to the Central Bank and the Ministry of Finance within 30 days following the operation.

VAT applies when the service is used or where the product is manufactured or first put on the market. Where such a place is different from the head office or the main establishment, the taxpayer must appoint a solvent representative accredited by the tax authority of the said place, who is a resident in Chad. This representative 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 such taxpayer without a fixed or permanent professional establishment in Chad.

It is not a requirement for persons carrying out taxable transactions to have a bank account in Chad.

## Deregistration

Any termination, transfer or modification of taxable activities is subject to a declaration online via the E-TAX platform within 15 days following the date of the termination transfer or modification to the Directorate of Large Enterprise.

## Output tax

A taxpayer shall deliver an invoice for every operation entered into with other taxpayers. VAT is deductible if the following cumulative conditions are fulfilled:

- Tax Identification Number (TIN) of both: customer and supplier, service provider and beneficiary
- registration details for invoices for construction, repairs, maintenance, all other movable assets likely to be estimated and various services whose amount is greater than or equal to XAF1,000,000 the quantity, designation and the unit price excluding VAT for each of the goods supplied or services rendered. Quantities shall be expressed in volume, unit, hourly rate or weight according to usage or profession
- the date of delivery or issuance of the invoice
- the invoice number
- the VAT rate and amount
- the total amount excluding tax
- the total amount including VAT.

## VAT exemption

The following supplies, activities and income streams are exempted from VAT:

- sales made directly to consumers by farmers, ranchers and fishermen of their unprocessed products
- transactions involving postage stamps, tax stamps and stamped papers issued by the state and local authorities
- import operations and the 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, 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)

- leasing transactions
  - sale of super and gasoil by the N'Djamena refining company
  - 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 and 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 of the products of their art only, if their annual turnover does not exceed (in Chadian Central African francs [XAF]) XAF20m (USD40,700)
  - 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. A list of goods and services that can be exempted from VAT is established by the Minister of finances, after the technical opinion of the Minister of oil. This list is updated every year in order to take into account the advancement in technology.
- Goods and services which are not directly assigned to oil activities and which are not in the list and those which do not give rise to a right of deduction shall be submitted to VAT.
- materials, equipment and services used for the production and distribution of water and electricity and the related services
  - interests of loans for the financing of renewable energies
  - baked bricks manufactured locally
  - interest paid on credit from XAF1 to XAF1m that has been granted by financial institutions providing micro credit subject to a repayment schedule of at least six months and monthly instalments of less than or equal to XAF100,000
  - interest on housing loans (mortgages) granted by financial institutions
  - gambling activities and entertainment
  - the purchase and import of materials and products used to combat HIV/Aids, malaria, tuberculosis, yellow fever, COVID-19 and severe viral infections related to childhood diseases and diseases of the aged who are destitute, under the conditions laid down by regulation
  - the acquisition of materials and equipment for the production and promotion of renewable energy
  - Interests and loans intended for the acquisition of agricultural materials and equipment by the companies under the real regime
  - Machinery and equipment for agricultural production and processing
  - Materials and equipment intended for use by disabled persons
  - Fertilisers and seeds (plant seeds and animal seeds)
  - Interest on bonds subscribed by non-professionals in the financial sector.

- potable water and electricity produced by the Chadian Water and Electricity Company, or any other company that might replace it and any other independent producer
- interest paid on foreign loans
- interest paid on deposits made by non-professionals with credit institutions or financial institutions
- examinations, consultations, treatments, hospitalisation, analytical work of medical laboratories, and prosthetic supplies made by health facilities
- farm inputs, inputs used by producers of livestock products and fisheries
- rental of empty premises for housing
- small fishing equipment, machines and agricultural equipment
- materials, equipment and services used for the production and export of cotton fibre

## Zero-rated supplies

There is a 0% rate for certain export-related international transportation, aircraft groomers with Jet A1 for planes to foreign countries, destinations as well as products and by-products of the local food industry excluding alcohol.

This 0% rate applies only to exports for which a duly stamped statement in this regard has been obtained from Customs.

These include:

- petroleum products, except fuel purchased for resale by importers or wholesalers
- property transferred without compensation or for a fee well below its normal price, particularly as a commission, salary, bonus or gift, whoever the beneficiary or whatever the form of distribution may be
- 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 the repair of such vehicles or machines.

## Input tax

### Input tax allowed/Tax allowance

Only registered taxpayers that are subject to the normal tax system and those subject to the simplified tax system are authorised to charge VAT in an apparent manner and to deduct it. They shall be required to submit their returns monthly.

### Partial exemption

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

$$\text{Pro rata} = \frac{\text{Taxable operations} + \text{exports of taxable goods}}{\text{Taxable operations} + \text{exempted operations} + \text{exports}}$$

These are taxpayers who carry out taxable operations in their normal course of operations or occasionally, in an independent manner. VAT is only deductible if the goods or services are necessary for their activities. VAT is deductible until the end of the second fiscal year following the financial year of the generating event.

Taxpayers are entitled to recover VAT cancelled and paid on annulled or terminated taxable operations. To this effect, a new invoice which substitutes the former shall be issued and sent to the customer.

Taxpayers are also entitled to recover cancelled and paid VAT relating to operations for which the debt is definitively and truly irrecoverable.

To this effect, the duplicate invoice which substitutes to the original shall be issued and sent to the customer.

### Input tax expressly denied

Taxpayers subject to the flat-rate tax 'Impôt Général Libérateur' are not allowed to deduct VAT, except if they have expressly chosen the simplified tax system.

Input VAT supported by taxpayers who are not mentioned on the list of active taxpayers provided by the General Directorate of Tax Services is not deductible.

'Non-active taxpayers' are any taxpayers that are not compliant with their tax declaration obligations.

VAT deduction is expressly denied for certain operations, such as:

- expenditure on housing, accommodation, catering, reception, entertainment, car rental and the 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
- invoice amounting equal to or more than XAF 500,000 paid in cash.

The taxpayer may also choose to divide its activities 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). VAT paid to providers for goods and services used by both sectors is deductible on a proportional basis, calculated as indicated above.

For the calculation of the relevant proportional shares, the following elements are not taken into account:

- self-supply of and subsidies for non-taxable equipment
- sales of assets
- indemnities that are not considered for VAT-taxable operations
- reimbursements.

Deductible VAT is determined by means of a pro rata calculation, and the deduction may be made only after verification of the ratio. The amount of the final proportion must be settled at the latest by the filing date of the Statistical and Tax Declaration.

Deductible VAT will only be approved after the pro rata calculation has been verified by the tax administration. In order to obtain the VAT deduction, the taxpayer must complete a declaration setting out the pro rata VAT calculation, and request that the tax administration validates it at the same time.

### VAT deduction on foreign services

For foreign service providers without professional installation in Chad, VAT charged on taxable transactions may be deducted the month following that in which VAT has been collected and paid.





## Withholding tax on VAT

Introduced by the 2017 Finance Law and modified by the 2017 Amending Finance Law, the withholding VAT was effective from September 1st, (decree N°114/PR/MFB/DGM/DGSI/2019).

The 2020 Finance Law definitively fixed the regime of withholding VAT.

State, local authorities, public companies, public and para-public institutions and private companies shall withhold VAT when paying suppliers of goods and services that are not listed in the list provided by the tax administration. The withheld VAT shall be declared online via the E-TAX platform and paid to the Public Treasury no later than the 15th of the month following that of payment. The Public Treasury shall issue a receipt to testify the payment.

The taxable event and the due date for withholding tax on supplies of goods is the invoice. For supplies of services, a taxable event is the execution of services and the due date is payment of the invoice.

Taxpayers entitled to withhold VAT shall attach to their VAT tax return the list of companies subject to withholding VAT, their tax identification member (TIN) and the withheld amounts.

Public and private companies and public and para-public establishments that are authorised to withhold VAT are exempted from the said withholding tax on invoices for services rendered among themselves.

Any compensation between the amounts of VAT withheld and tax due by the collector is not allowed.

The list may be reviewed.

To this day, only 90 public and private companies and public and para-public establishments are entitled to withhold VAT.

The accountants of public and para-public institutions which have their name on a list established by the Tax Authorities and the financial directors of public or private companies are personally and financially liable for any VAT withheld which has not been paid or has been partially paid.

## 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, calculated as one fifth per year that has passed since the asset was purchased. 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 goods are an asset to the buyer, the buyer can deduct the corresponding VAT or the amount repaid by the seller as regularisation, provided the buyer itself is subject to VAT. However, this deduction is subject to the seller providing the recipient with 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 export-related international transportation, aircraft groomers with Jet A1 for planes to foreign countries, destinations as well as products and by-products of the local food industry excluding alcohol.

This rate only applies to exports where the documentation has been duly stamped by the customs services.

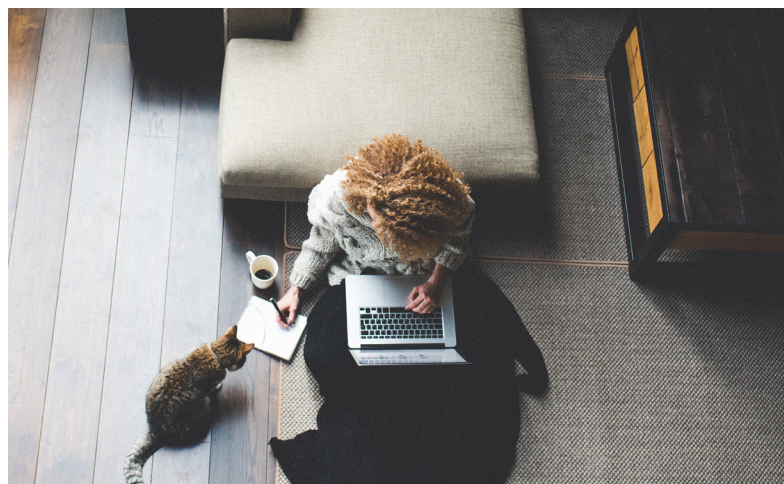
To the best of our knowledge, there are no specific rules relating to VAT refunds to foreigners.

## Place, time and value of supply

### VAT territoriality

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

- the sale of goods — when the sale is realised according to the conditions of delivery of goods applied in Chad
- for other operations — when 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
- travel agencies — if commission is collected exclusively in Chad as soon as the agency is established in the country.



## Due date

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)
- 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.

## Taxable base

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
- 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. Reimbursement of the expenses made by a supplier for one of its customers, unless they are re-invoiced for the exact amount (disbursements), 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
- 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 its activities 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 shall be submitted online via the E-TAX platform within 15 days of the month following the carrying out of the taxable operations for the taxpayers whose turnover is more than XAF50 million.

If there are no taxable operations during the month, a blank tax return with the wording 'néant' (none) shall be filed with the tax administration.

When submitting the annual tax return online, taxpayers shall join the annual input deductible VAT file with the required information (identity of suppliers and service providers, amounts of transaction, full address, invoice number, amount of input VAT).

The late filing or submission of such declarations in electronic form is subject to a fine of 5% of the duties due, without prejudice to other tax penalties.

## Penalties

Penalties concerning declarations:

- a fine of XAF500,000 for the failure to declare existence, transfer, termination, or death
- a fine of XAF200,000 per month for failure to file the return for the real tax regime and XAF500,000 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 XAF100,000 for failure to file the return on calculating the provisional or final proportion.

Penalties for acting in bad faith:

- a fine of XAF 200,000 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. It is also defined as when a taxpayer authorised to withhold VAT they didn't collect
- 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 that 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 identification number (TIN) 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 XAF25,000 (all taxes included)
  - all invoices without TIN are eligible for an administrative tolerance if the total of invoices without the TIN does not exceed XAF2 million 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 XAF200,000 per month.

## Penalties relating to withholding VAT requirements

In case of non-payment of the withheld VAT to the Public Treasury (PT) by the 15th of the following month at the latest, forced recovery measures shall be immediately implemented against the offenders without prejudice to the suspension of the authorisation to withhold VAT by the General Directorate of Tax Services. These measures include in particular:

- the recovery notice
- the notice to a third-party holder
- freezing of accounts
- closing of the company.

In the case of non-withholding tax, partial payment or non-payment of the withheld VAT, a penalty shall be applied at the rate of 100% to the amount to be paid.

In the case of non-withholding tax, the public companies, public and para public establishments, which are authorised to withhold VAT, will be prosecuted and sentenced to a fine between XAF5 million and XAF 25 million. In addition, the managers of the said authorised entities shall be subject to prison sentence between two and five years.

Penalties and interests for late payment on withholding VAT are excluded from tax remittance (Article 42, 2020 Finance law).



## Refunds

If the amount paid exceeds the VAT payable, the tax credit can be offset against the VAT payable during the 24 months following the tax credit-generating event.

Since 2018, VAT credits of taxpayers, which depend on and are managed by the General Directorate of Tax Services, shall be reimbursed at their request.

However, taxpayers who benefited from VAT exemptions are excluded from VAT refunds.

The quarterly VAT credits of traders, which exceed 5m, shall be approved before being reported.

Applications for refunds of VAT credits are addressed to the Director General of Taxes or to the territorially competent tax offices according to a form provided for this purpose or online via the e-Tax platform.

Under penalty of inadmissibility, the refund application shall include:

- The detailed list of VAT invoices indicating the name, the TIN, and the amount paid to the supplier.
- The certificate of no tax liability.
- Copies of invoices or import documents and proof of payment from suppliers.
- Copies of agreements, certificates or any document granting a derogatory regime.

The refund of the VAT credit is effective after examination, control and checking of the taxpayer's tax situation.

All applications for VAT credit refunds recognised as justified after investigation by the General Tax Directorate give rise to a cash refund of this VAT via an account lodged at the Bank of Central African States (BEAC).

## 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 (Article 1072 of General Tax Code).

If the credit (resulting from excess input tax) is not offset against the VAT payable during the 24 months following the issuing 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 shall contain the following information:

- the exact name and address and tax identification number (TIN/NIF) of the taxpayer
- the tax identification number of the customer
- 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 goods/ services free of tax
- The VAT rate applied and the amount of the VAT
- the amount inclusive of all taxes
- the words 'invoice (facture)' or 'avoir'.

Finally, partial taxpayers shall make a distinction 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).

Since January 2019, any turnover realised with natural persons or legal entities within the scope of VAT is deemed to be inclusive of all taxes (including VAT), whether or not the VAT appears on the invoice sent by the supplier to his customer.

## Electronic Invoice

The finance act of 2023 introduced the electronic invoice obligation.

Any transaction carried out by a natural or legal entity subject to corporate income tax, local tax or VAT, IGL gives rise to the issuance of a standardised electronic invoice.

Any person carrying out purchases of goods and services from persons subject to the obligation to issue a standardised electronic invoice shall require the issuance of a standardised electronic invoice.

The issuance and transmission of the standardised electronic invoice is done through a machine, in production mode, certified by the tax authorities. This machine can also be presented in a dematerialised version.

A certified electronic billing machine is a billing unit or system for electronic invoicing approved by the tax authorities linked to a billing control module.

An electronic invoice shall contain:

- the serial number and the date of the invoice
- the name, address, tax identification number and registration number in the Trade and Personal Property Credit Register of the supplier or its registration number in the register of companies, the Chamber of Commerce or the registration number of the organisation
- the name, address and tax identification number of the client
- the nature and object of the transaction
- the quantity and exact unit designation of the goods and services
- the unit and global price
- the price excluding value added tax
- if any, the rate and amount of tax due or the word 'exempt'
- the total amount due by the customer

- if any, the amount of the advance payment on tax on profits and any other taxes and duties
- the identification number of the certified electronic billing machine
- the signature and electronic code.

“The provisions relating to the electronic Invoice shall be effective on January 1 2024.

Noussaina N'diekhon, Manager, Tax and Legal Services, PwC Chad

## 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
- an inventory book.

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

- a sales book
- a purchase book
- an inventory book.

All these documents must be kept for a period of ten 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
- rental of bare premises used for housing.

The following transactions 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

- 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.

## 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 them
- 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.

## 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

Since January 2020, excise duty applies to consumer goods: tourist vehicles, wines, liquor, beers, cigars, carbonated water, soft drinks, gambling activities and machines, jewellers, precious metals and stones, motorcycles of one-cylinder capacity, perfumes and toilet waters and cosmetics.

Excise duty rates depend on the nature of the goods, ranging from 5% to 30%.

The taxable basis is as follows:

- goods manufactured in the CEMAC zone — price of the goods delivered at the factory
- other goods — same valuation as for customs duties.

Mobile network operators (MNO) shall pay the excise duty at the rate of 18% on the monthly declaration of their turnover.

The excise duty is levied on the turnover of mobile network operators, excluding revenue from fixed, wireline and internet communications and revenue from international interconnection as incoming international interconnection operations (calls made by customers outside Chad and established outside Chad and routed on the networks of an operator established in Chad)

Fixed and wireline communications, internet and incoming international electronic communication from one State member of Group G5 Sahel (Burkina Faso, Chad, Mali, Mauritania, Niger) or from one State member of the CEMAC area (Chad, Cameroon, Congo-Brazzaville, Gabon, Guinea Equatorial, Central Africa Republic) are excluded from the basis of excise duty.

## 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.

## Tax on money transfer

From January 2022 a tax on money transfers has been introduced.

Money transfer tax applies:

- to money transfer transactions carried out by any means or technical means that leaves a trace, in particular by electronic, mobile telephone, telegraphic, telex or fax means
- cash withdrawals related to transfers by financial institutions and multinational network operators (MNO).

Tax on money transfers is not applicable to bank transfers and transfers for the payment of taxes, duties and fees.

The taxable basis is the amount of money transferred or withdrawn.

Money transfer tax rate is 0.2%. This rate will be increased to 0.5% for money withdrawals made on the stored communication credit (stored side).

Service providers (banks, MNOs, offices and agencies) are the legal taxpayers (in charge of the collection of the money transfer tax).

Money transfer tax is due by the 15th of the month following the month in which the transactions were carried out.

## Stamp duty

Stamp duties are due on each civil or judicial document that is intended to be used as evidence. Stamp duty is generally XAF1,000 per sheet. There is no stamp duty greater than XAF2,000 or less than XAF900, whatever the size of the paper might be.

Some amendments (article 557 of GCT, 2016) consist of the following:

- all claims for reimbursement submitted to the administration are subject to a stamp duty of XAF2,000
- requests to the administration for professional competitions are subject to a stamp duty of XAF1,000
- applications for allocation of land are subject to a stamp duty of XAF1,000
- invoices for supplies to the administration of less than XAF1 million are subject to a stamp duty of XAF5,000, 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 XAF5,000
- any application other than those mentioned above addressed to the tax authorities is subject to a stamp duty of XAF2,000.



# Côte d'Ivoire



## Contact details

Physical address	Imm. ITC, Bât D 3e étage, Angle rue Booker Washington - Blvd Hassan II, Cocody
Postal address	01 B.P. 3173, Abidjan 01, Côte d'Ivoire
Tel	+225 27 22 55 84 00, F: +225 27 22 55 84 69

## PwC contact

Dominique Taty	d.taty@pwc.com
Fousséni Traore	fousseni.traore@pwc.com
Website	<a href="https://www.pwc.com/ci/en.html">https://www.pwc.com/ci/en.html</a>

## Introduction

The Ivorian General Tax Code (GTC) is issued from the law n°63-524 of 26 December 1963. This code deals with VAT rules.

## Scope of VAT

VAT is charged on the supply of goods and services rendered or used in Côte d'Ivoire, subject to the exemptions list (article 355 of GTC). All economic activities fall within the scope of VAT, including the activities of independent professionals (lawyers, chartered accountants etc.), except for banking activities for which a specific tax applies.

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 Côte d'Ivoire), plus any excise duties.

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

Input tax on some goods and services listed by the tax rules is not recoverable (article 372 of GTC).

## Rates applicable

To date, the standard VAT rate is 18%.

A reduced rate of 9% for milk excluding yoghurt and any other dairy product, infant milk and infant food preparations, 100% durum wheat pasta, solar energy production equipment and petroleum products.

## Registration threshold

In Côte d'Ivoire, there is a single tax identification number that taxpayers must use to fulfil all their obligations regarding all taxes. However, it is important to note that the persons authorised to invoice VAT must be either natural persons or corporate/commercial entities realising an annual turnover before tax equal to, or more than, XOF200 million.

Businesses with lower turnover do not collect VAT. As such, they are not allowed to deduct VAT borne of their purchases.

Non-residents performing taxable transactions in Côte d'Ivoire must appoint a representative domiciled in Côte d'Ivoire and accredited by the tax authority to comply with VAT diligences and payment. In case of failure, the VAT and where applicable, the penalties relating thereto, shall be due by the beneficiary of the taxable service.

Where a taxpayer is not domiciled in Côte d'Ivoire, he must have a representative domiciled in Côte d'Ivoire accredited with a tax department, who undertakes to complete taxpayers' obligations.

Taxpayers subject to a real tax regime are required to file by the 15th of the month following the completion of their operations.



Taxpayers who are subject to the large companies' division are required to file their return as follows:

- no later than the 10<sup>th</sup> of the month following the month of service for oil and mining company
- no later than the 15<sup>th</sup> of the month following the month of good delivery for trade company
- no later than the 20<sup>th</sup> of the month following the month of service for common service company.

Operators of online sales platforms or digital services not established in Côte d'Ivoire must file their tax return online and remotely by the 15<sup>th</sup> of the month following the sale or service, under a simplified procedure set up by the tax authorities.





# Democratic Republic of the Congo



## Contact details

Physical address	Building Midema, 13, Avenue Mongala, Kinshasa
Postal address	BP 10195 Kinshasa
Tel	(+243) 81 033 68 01 / (+243) 99 930 99 00 / 01 (+243) 85 473 15 55 / (+243) +82 565 07 53

## PwC contact

Laurent Pommera	laurent.pommera@pwc.com
Lia Loumingou	lia.loumingou@pwc.com
Website	www.pwc.com/cd

## Introduction

The VAT system was introduced in the Democratic Republic of the Congo (DRC) by Ordinance- Law n°10/001 dated 20 August 2010 to replace the local turnover tax.

The VAT authority (Tax Administration) in the DRC is the General Directorate of Taxes (Direction Générale des Impôts), which is divided into three units depending on the annual turnover of the enterprise:

- Direction des Grandes Entreprises (DGE) in charge of large companies — turnover above CDF2,000,000,000
- Centre des Impôts (CDI) in charge of medium-sized companies — turnover between CDF80,000,000 and CDF2,000,000,000
- Centre des Impôts Synthétiques (CIS) in charge of small companies — turnover less than CDF80,000,000.

## Rates and scope

The standard rate of 16% applies to all taxable operations (except for exportation, which is zero-rated).

VAT applies to:

- Delivery/sale of goods
- Services
- Self-assessed transactions
- Imports

A new VAT rate of 8% applies to basic necessities which are notably the following:

- Frozen chard
- Salted fish
- Meat of bovine animals, fresh or chilled
- Husked rice
- Other milk powder
- Packaged waters for the table
- Iodized salt
- Soap for ordinary use
- Matches
- Fresh and frozen meats
- Various fish
- Dried and salted cod
- Rice
- Sugars.

As a general rule, VAT is levied on economic activity carried out for a consideration by a taxable person.

VAT is levied whenever the transaction is carried out in the DRC regardless of the residence status of the parties to the transactions.

## 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 valuable consideration.

Apart from the general principle of liability, liability to account for VAT is compulsory when annual turnover equals or exceeds CDF80,000,000 (EUR43.502) for all activities.

However, legal entities and individuals whose annual turnover is below the threshold for liability to VAT may opt for the VAT system.

Furthermore, the Finance Law n°18/025 dated 13 December 2018 relating to fiscal year 2019 provides that VAT payers are now identified by a VAT number. An order issued by the Minister of Finance will specify the conditions for granting the VAT number.

This number will be different from the tax number granted to companies at the start of their business.

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

### Voluntary registration

As aforementioned, legal entities and individuals whose annual turnover is below the threshold for liability to VAT may opt for the VAT system. The option is granted upon express request to the tax administration.

### 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 DRC.

Indeed, as for services rendered in DRC, a non-resident having no permanent establishment in DRC but who raises an invoice on a DRC resident is required to appoint a VAT representative who is based in the DRC and who will be accountable for the payments and collections that rest with the supplier non-resident.

Failing to appoint a representative will result in the authorities holding the DRC resident customer liable for the payment of VAT due by application of a reverse charge mechanism.

The resident tax representative could be subject to the penalties specified in matters where operations performed by the service provider are in its favour.

### Application for registration

New taxpayers (exempted or not) undertaking a commercial activity in the DRC are required to apply for a tax number (NIF) within 15 days of the beginning of activities. The tax number must be mentioned on all documents issued by the taxpayers (letters addressed to the tax administration, invoices, receipts and other documents related thereto).

Failure to obtain a tax number within the prescribed time limits is punishable by a fine. Furthermore, a tax number will be automatically assigned to any defaulting taxpayer discovered by the tax administration in the performance of its duties.

### Deregistration

All changes relating to the identity, management, physical or electronic address, telephone number or affecting or terminating a taxable item or operation will be reported to the tax administration within fifteen days of the occurrence of the event.

Therefore, 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.



# 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 and will add VAT to the net price.

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

Output tax for goods must be recorded on the date of the delivery, and for services on the date the payment is received.

## Exempt supplies

### Goods

The following items are exempt from VAT:

- sales of second-hand movable property made by the persons who used it for the purposes of their business where such property was not eligible for deduction of tax at the time of its acquisition
- sales and imports made by legally constituted non-profit associations when such operations are of a social, sporting, cultural, religious, educational or philanthropic nature in accordance with their purpose, under the conditions provided for by regulation
- sales and transfers made by the state, provinces, decentralised territorial entities and public bodies not having an industrial and commercial character
- sales and imports of official stamps or stamped papers
- the import of banknotes, inputs, equipment used to manufacture monetary signs and their spare parts produced exclusively by the issuing institute as well as import of foreign currency by commercial banks under conditions set by the central bank.
- sales and imports of agricultural inputs intended for agriculture on the basis of a list determined by regulation
- transactions involving the transfer of real estate by persons other than real estate developers and liable to registration fees
- the import and delivery of human organs and blood by medical institutions or accredited bodies as well as the import and supply of prostheses
- the import and sale of fishing boats and nets
- the import and acquisition of pharmaceutical products intended for the prevention, diagnosis and treatment of diseases, pharmaceutical packaging and pharmaceutical inputs, the list of which is established by regulation, by the pharmaceutical industries, as well as the import and acquisition of medical devices
- the import and sale of mosquito nets
- the import and acquisition of equipment, materials, reagents and other chemicals intended exclusively for prospecting, exploration, research and the construction and development of mining and petroleum projects, before exploitation
- the import of:
  - samples without commercial value which are considered by customs to be of negligible value and which are only used to seek orders for goods of the kind they represent
  - movable property, excluding industrial or commercial equipment, for the personal use of a person or family members who are brought to the DRC at the same time as that person or at another time for the purpose of transferring their residence
- property collected by succession by a person having, on the date of the death of the deceased, his main residence in the DRC, provided that such property was used for the personal use of the deceased
- rewards granted to persons residing in the DRC, subject to the submission of supporting documents deemed necessary by customs
- coffins containing the remains and funeral urns containing ashes of the cremated remains, as well as the ornamental objects accompanying them
- products for testing, provided that the quantities do not exceed those strictly necessary for the testing and that the products are fully consumed during the testing or that the non-consumed products are re-exported or processed, under customs control, so as to remove any commercial value
- donations, legacies or material provided free of charge to the state, provinces, decentralised territorial entities and bodies governed by public law
- baggage of travellers not liable to the duties and taxes provided for by customs legislation
- sales of original works of art by an artist
- the import and sale of coffins
- the import of wheat, maize, wheat flour and maize flour
- the local sale of wheat, bread, maize, wheat flour and maize flour
- local sale of live animals
- the importation of goods by mining companies, excluding petroleum products, under the conditions laid down by regulation
- the import by new companies of capital goods intended for creative investments, under the conditions determined by regulation.

## Services

The following services are exempt from VAT:

- the composition, printing, importation and sale of newspapers, books and periodicals, excluding advertising revenue
- the rental of books, periodicals and other magnetic media containing scientific, educational, cultural or religious information as well as the provision of services to library readers, archives and documentation services
- revenue from visits to national historic monuments and museums, zoos and botanical parks
- school fees and boarding fees collected in the normal course of business in national educational institutions duly authorised, as the case may be, by the minister responsible for primary, secondary and vocational education or higher and university education
- examinations, consultations, care, hospitalisation, analytical and medical biology work for humans
- the transport of the sick and wounded by means of transport specially equipped for these purposes
- services provided by funeral directors and body transport
- services provided in the course of their normal activities by legally constituted non-profit associations, where their non-registration does not distort the conditions of competition
- the following services relating to aircraft intended for air navigation companies whose services to or from abroad represent at least 80% of all the services they operate:
  - landing and take-off
  - use of aircraft lighting, parking, mooring and shelter
  - use of facilities provided for the reception of passengers and goods
  - use of aircraft refuelling facilities
  - technical operations relating to the arrival, parking and departure of aircraft
  - use of air navigation assistance devices, the use of mechanical, electrical or pneumatic means to start aircraft engines
  - crew transport on the airport area
  - maintenance and repair operations of aircraft and on-board materials and equipment
  - fire prevention and control service
  - safety visits, technical expertise, aircraft lifting and rescue
  - expertise relating to the assessment of damage to aircraft and insurance indemnities to compensate for the resulting damage
  - operations performed by aircraft consignors and air agents
- the air transport of persons or goods to or from abroad
- land, lake, river, sea and rail transport of persons or goods for the part of the journey carried out outside the national territory
- roadworthiness tests on the weight and quality of goods intended for export carried out by a public body
- the following services, provided for the direct needs of merchant ships, vessels used for industrial activity on the high seas, rescue and assistance at sea:
  - control
  - mooring
  - towing
  - rental of the gantries
  - stay of the boats
  - use of port facilities
  - assistance and rescue of ships and boats
  - maintenance of the vessel and on-board equipment
  - fire prevention and control services
  - use of the facilities provided for the reception of passengers and goods
  - use of facilities for ship refuelling
  - safety visits, hull examination, technical expertise
  - expert reports relating to the assessment of damage to ships
- interest on bank investment loans, leases, agricultural loans and bank overdrafts
- interest on deposits made with credit institutions by non-professionals
- interest on external loans
- social or agricultural credit operations carried out by mutual credit unions, savings and credit unions, savings and credit cooperatives and other micro-finance institutions
- services directly related to oil operations carried out by foreign suppliers for the benefit of oil production companies under the conditions determined by regulation
- the renting of bare premises for residential use by persons subject to value-added tax other than real estate developers
- the premium for life insurance, the premium for health insurance, the premium for direct insurance abroad provided that it has been authorised by the minister responsible for the insurance sector, and the reinsurance premium.

## Conditional VAT exemptions

The following activities and services are exempt from VAT, provided that they are subject to specific taxes exclusive of any turnover tax:

- sales of tickets for access to leisure events in sports facilities
- admission fees to a cultural event
- the following operations, subject to registration fees:
  - transactions involving the transfer of ownership or usufruct of real estate, business or customer goodwill, right to lease, with the exception of sales of new buildings built by real estate developers
  - public auctions
- gamblers' winnings in games of chance
- subject to reciprocity, goods and services intended for the official use of diplomatic and consular missions and international organisations

## Zero-rated supplies

The zero rate applies to exports that 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.

## 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 right to deduct is created when the tax becomes payable by the taxpayer.

As regards foreign suppliers of goods (including purchasing bodies or groups), payable at the time of the declaration of release for consumption in the DRC for goods imported directly, goods placed under suspensive procedures or goods taken out of the free zone.

VAT for foreign providers of services become payable once the invoice is paid.

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 the recipient can deduct the VAT paid as soon as they receive the invoice instead of at payment.

To deduct VAT, the VAT must be shown on the following documents:

- in general, on an invoice or any other document in lieu thereof (except for invoices issued by foreign service providers)
- as for imports, on the declaration of release for consumption issued by customs
- as for supply of goods or services to oneself, on an invoice to oneself

As soon as the right to deduct VAT arises, the taxpayer may claim the VAT deduction on the monthly return filed on the 15th of the following month.

### Input tax expressly denied

Input tax is specifically denied in respect of:

- expenditure on housing, accommodation, catering, entertainment, hiring of passenger cars and passenger transport, except for expenditure incurred by tourism, catering and entertainment professionals in respect of their taxable activity
- goods and services acquired by the company but used by third parties, managers or employees of the company except for work or protective clothing, premises and equipment assigned to the collective satisfaction of the needs of the personnel as well as free accommodation in the workplace for employees specifically responsible for the supervision or custody of these premises
- petroleum products, except those intended for resale by wholesalers or acquired for electricity production to be resold
- petroleum products, except for fuels used by fixed appliances as fuel in industrial companies under conditions laid down by regulation or in aircraft by air carriers
- petroleum products, up to a maximum of 50%, for cases other than those aforementioned
- services of any kind, in particular rental, maintenance, repair, relating to goods, products or merchandise excluded from the right of deduction
- movable objects other than those used by the taxable person for his operation
- buildings (except buildings and premises for professional use)
- goods transferred and services rendered free of charge or at a price lower than the cost price, as commissions, salaries, bonuses, gifts, whatever the quality of the beneficiary, except in the case of advertising objects of low unit value excluding tax

- VAT on vehicles or machinery, whatever their nature, designed or adapted for the transport of persons, constituting fixed assets, as well as VAT on the rental, spare parts and accessories or services related thereto except for:
  - road vehicles with ten or more seats, including a driver, used by companies for the exclusive transport of their staff
  - vehicles or equipment acquired by public passenger transport companies and used exclusively for the purpose of carrying out such transport
  - passenger cars acquired by car rental companies
- carriage of persons and operations ancillary to such carriage, excluding carriage performed either on behalf of a public passenger transport company or under a permanent contract of carriage concluded by the companies to bring their staff to the workplace
- VAT included on an invoice issued outside electronic tax devices by persons subject to the obligation to use such devices
- the VAT collected by persons who are not authorised to do so is not deductible. These persons will still be liable to pay it to the public treasury.

## Partial exemption

Under the allocation rule, taxpayers may deduct VAT in terms of the allocation of the goods (depreciable fixed assets) on which the VAT has been paid. In principle, an entrepreneur is entitled to deduct the VAT paid on their purchases of goods, equipment and services for use in their business (input tax) against the total of the tax they charge to their customers for deliveries made and services rendered by them (output tax).

Taxpayers not exclusively carrying out transactions giving them a right to deduct VAT may deduct VAT proportionally based on the portion of the income pertaining to taxable transactions (pro rata). This deduction applies to fixed assets, goods and services, and is calculated on the turnover pertaining to the taxable transaction.

The pro-rata amount is computed from the share of the turnover pertaining to the taxable transactions eligible to the right to deduct.

The share is the ratio between:

- The yearly amount of the revenue pertaining to the transactions eligible to the right to deduct the VAT, including exportations and assimilated transactions
- And the yearly amount of the revenue of any kind carried out by the taxable person excluding the sales of intangible assets, the subsidies of equipment, the indemnities of insurance which are not qualified as the counterpart of transaction is subject to the VAT and is out-of-pocket.

Revenue means any fees, rights and taxes excluding the VAT.

## Adjustments

The adjustment system consists of payments by the taxpayer of a fraction of the tax initially deducted for fixed assets:

- in the event that the asset is downgraded, transferred or contributed to another business before the end of the fourth year following the year of acquisition in the case of movable property and the nineteenth year in the case of fix property event, the removal of the assets from the balance sheet, or
- in the absence of this removal, in case of the fourth year
  - modification of the situation of this asset with regard to the right to deduct
  - regulatory changes
  - change in use of the asset.

The fraction referred to in the above paragraph shall be equal to the amount of the deduction, less the amount of the deduction, as the case may be, of one fifth or one twentieth per year or fraction of a year since the acquisition of property.

In the event of transfer, if the property constitutes a fixed asset for the buyer, the latter may deduct the corresponding VAT to the amount repaid by the seller in respect of the adjustment, provided that they are subject to VAT themselves.

Furthermore, in order to proceed to this deduction, the buyer needs an attest issued by the seller and mentioning the amount of VAT refunded by the latter.

## International trade

### Imports

VAT is payable on the importation of goods when cleared for home consumption. The tax base for importation is the cost, insurance, and freight (CIF) value plus import duties and, where applicable, consumer duties, for imported products.

To be deductible, the VAT paid on imports must be shown on the import documents (declaration of release for consumption drawn up by the customs authorities).

Services provided abroad and used in the DRC are subject to VAT. When a taxable person established in the DRC 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 DRC are zero-rated and the zero rate applies whether the goods are delivered directly by the exporter, or via an agent.

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 DRC, whereas a service provided in the DRC 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

All transactions carried out in the DRC shall be subject to VAT, even when the domicile, residence of the natural person or the registered office of the taxable legal person is located outside the territorial limits of the DRC.

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

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.

### Time of supply

The time of supply can be summarised as follows:

- goods — supply of goods or any other transaction having the effect of transferring ownership to a third party, where the said goods are within the national territory at the time of sale or any other transaction
- real estate works — where they are carried out in the country
- supply of services — where the service rendered, the right transferred or the object leased is used or exploited in the country
- commissions — shall be deemed to be received in the DR Congo on the sale of tickets by travel agencies or companies engaged in this type of activity, whatever the destination or mode of transport or the head office of the transport company.

### Value of supply

The taxable value is all sums, securities, property or assets or services received as consideration for the transaction, including subsidies and any charges, taxes, duties, fees or levies of any kind connected therewith, but excluding VAT itself.

In particular, it is made up of:

- the CIF value increased by the entry duties and, where applicable, the consumption duties, for imported products
- free on board (fob) value, for exports of goods
- the value of the products at the time of their exit from the free zone
- all sums or values, all benefits, goods or services received or to be received by the supplier as consideration for the delivery, for supplies of goods
- all sums or values, all benefits, goods or services received or to be received by the service provider in return for the service, and where applicable, the value of consumable goods, for services provided
- the value of the goods received in payment for the goods delivered, plus where applicable, the amount of the balancing payment for exchanges
- the amount of contracts, memorandums or invoices, for construction works
- the cost price of the goods supplied, in the case of supplies of deliveries of goods to oneself
- expenses incurred for their execution, for services to oneself
- the difference between the sale price and the purchase price of each good, for sales made by dealers in second-hand goods, works of art, collectors' items or antiques
- the amount of rents charged by leasing companies, for leasing operations
- the market price, including all taxes, for public contracts



However, these are excluded from the tax base:

- cash discounts, rebates, discounts and other reductions of prices granted provided that they actually benefit and for their exact amount to the customer and that they appear on an initial invoice or corrigendum
- disbursements that are only reimbursements of expenses and that are billed to the client for the exact amount
- receipts that are not in consideration for a deal
- indemnities having the character of damages
- bonuses and capital grants allocated to financing of a specified capital property
- sums reimbursed to intermediaries, other than travel agents and tour operators, who incur expenses on the orders and for the account of their principals, insofar as these intermediaries report to their principals and justify, to the tax authorities, the nature or exact amount of these expenses
- interest received in the form of interest on arrears
- sums received as a deposit on delivery of identifiable, recoverable and reusable packaging. Where such packaging has not been returned at the end of the time limits in use in the profession, VAT shall be due on the consignment price. However, if the latter is lower than the transfer price, it shall be taken into account

## VAT compliance

### Returns and payment of VAT

Under conditions, a VAT taxable person can deduct in its VAT return, amounts of input tax borne.

VAT returns must be filed by the 15th day of each month in respect of transactions made the previous month.

Payment of the net amount of VAT payable must be remitted to the tax authorities together with the return.

If VAT paid exceeds VAT charged, the resulting VAT credit can be carried forward.

Refund of VAT can only be requested in some very specific circumstances.

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 16%), 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.

## Interest and penalties

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

### Late filing of the return

- 25% in case the taxpayer files the return before receiving a formal notice from the tax administration.

### Late payment

- 2% per month of delay in case of late payment of all or part of the tax due.

### Arbitrary assessment

- Non-filing of returns — in the event of an arbitrary assessment due to the non-filing of returns, a surcharge equal to:
  - 50% of the amount of tax due shall be applied
  - 100% (in case of recidivism).
- In other cases of arbitrary assessment, the tax due is increased by:
  - 25%
  - 50% (in case of recidivism).

### Assessment

- In the event of a tax assessment after tax audit, an increase equal to:
  - 20% of the amount of tax evaded is applied
  - 40% (in case of recidivism).

Any abusive mention of VAT on an invoice or document in lieu of an invoice, issuance of a false invoice or falsification of an invoice to justify a deduction will be charged with a penalty equivalent to three times the amount of the illegally invoiced tax.

A taxpayer who issues a false invoice including value-added tax or who falsifies an invoice presented as proof of a deduction is subject to the payment of a fiscal fine equal to three times the tax thus invoiced.

The absence of an invoice or document in lieu thereof, in the case of the supply of goods and services by a person liable for value-added tax, is punishable by a fiscal fine equal to twice the amount of the duties compromised.

In the event of a repeat offence, the fine is tripled.

The miss of issuing standardised invoices is punishable by a penalty ranging from 10 000 000CDF to 100 000 000CDF.

Any reimbursement of value-added tax credits obtained on the basis of false invoices shall give rise to the immediate restitution of the sums unduly received, together with a fine equal to the same amount.



Any deduction made which does not correspond, in whole or in part, to the acquisition of goods or the provision of services shall be punished by a fiscal fine equal to the amount of the duties unduly deducted.

## Refunds

Certain categories of profession and certain types of operation are entitled to refunds, such as:

- exporters
- companies making heavy investments
- mining and petroleum companies in the research or development and construction phase of a mining or petroleum project
- companies in cessation of activities
- public establishments and public enterprises in which the state holds the entire share capital and whose invoiced value-added tax has been withheld at source.

## Objections and appeals

Taxpayers' monthly returns are audited by the DGI (Direction Générale des Impôts) or CDI (Centre des Impôts). These audits are conducted by either reviewing documents or conducting an on-site inspection and may lead to an assessment.

Taxpayers may be represented by a third party in the form of a tax adviser of their choice at these audits, which can be initiated at any time.

Taxpayers who receive an assessment notice following an audit have a period of 20 days to make comments.

The tax administration must give a definitive response on receiving these comments and must provide grounds for any elements that it rejects.

## Time limits

The deduction right arises when the tax is due by the taxable person.

This right shall be exercised until 31 December of the year following the year in which the tax became payable.

On expiry of that period, the VAT not deducted shall be definitively acquired by the treasury.

This 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 a standardised invoice produced by electronic fiscal devices 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 or document in lieu thereof must be in French and must indicate the following:

- the surname, last name, first name or company name, the exact address, the tax number of the seller or provider
- surname, last name and first name or company name, the exact address of the client and his tax number
- the date and serial number of the invoice
- the description and quantity of goods or services
- the unit price and the total price of each type of goods sold and/or exported, services rendered or real estate works, in distinguishing, where appropriate, between taxable and non-taxable amounts those relating to duly justified non-taxable operations
- prices exclusive of value-added tax of the goods supplied or services rendered
- the rate of vat applied and the corresponding amount of the tax
- the non-taxable amount of the transaction
- the amount of the transactions including all taxes.

A service provider who has opted for payment on a debit basis must expressly state this option on the invoice.

In addition, there are other obligations under economic regulations (including the trade register number and bank account number).

Operations performed with non-taxpayers are invoiced for the amount including tax, unless they can claim a dispensatory tax system authorising invoicing excluding tax.

### 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
- if a tax invoice has already been issued for the supply, which is now incorrect

## Record-keeping

Taxpayers must keep regular accounts, including the balance sheet, the profit and loss account, the financial table of resources and uses, the annexed statement and the supplementary statistical statement in accordance with the OHADA Uniform Act.

The accounts must be available in the DRC, and presented in French, and made out in Congolese Franc (CDF). Accounting documents and supporting documents for operations performed by the taxpayer must be retained for ten years from being recorded.

## Other indirect taxes

### 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 is 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.

VAT applies to rent, rent supplements, and advance rent. A deposit is not subject to VAT unless it is applied as 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 and services rendered free of charge or at a price lower than the cost price, as commissions, salaries, gratuities, bonuses, gifts, irrespective of the status of the beneficiary, except in the case of advertising objects of low unit value excluding tax does not give an entitlement to deduction.

### Secondhand goods

Sales of second-hand movable property by persons who have used it for the purposes of their business are exempted from VAT, where such property did not give rise to a right to deduct tax at the time of its acquisition.

## Regularisation

The taxpayer shall be liable for a fraction of the tax previously deducted:

- in the event of the removal of the assets of the business of property which has been the subject of a deduction in respect of fixed assets,
- or in the absence of this removal, in case of:
  - Modification of the situation of this property with regard to the right to deduct
  - Regulatory changes
  - Change in use of the property before the end of the 4th year following the year of acquisition, for personal property, or before the end of the 19th year following the year of acquisition, for real property.

The fraction referred to in the above paragraph shall be equal to the amount of the deduction, less the amount of the deduction, as the case may be, of one fifth or one twentieth per year or fraction of a year since the acquisition of property.

In the event of transfer, if the property constitutes a fixed asset for the purchaser, the latter may deduct the corresponding VAT to the amount repaid by the vendor in respect of the adjustment, provided that he is subject to VAT himself.

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.

## Import duty

Customs duty on imports is calculated on the cost, insurance, and freight (CIF) value of the goods.

The customs tariff in imports is the following:

- 5% (machine tools, materials and transport of merchandise)
- 10% (floor, aggregate, petrol, diesel, kerosene)
- 20% (chemical products, clothing, furniture, cigarettes)

Imported goods are also subject to the following levies at the time of border crossing:

- VAT on imports
- for certain goods, consumption and excise duties
- various para-fiscal taxes

### Excise duty

Some products, such as tobacco, perfume and alcohol are subject to consumption and excise duties.

The rate of excise duties on locally made products and imported products varies between 5% and 80%.

### Transfer duty

Funds transfer in and out of DRC are subject to exchange control regulations.

As such, payments to the local entity will require the subscription of a type RC return with a licensed bank for transactions equal or exceeding USD10,000.

In addition, the Central Bank of Congo levies an exchange control fee of 0.2% on all transactions subject to its regulation (payments in and out DRC).

### Stamp duty

The Congolese tax legislation does not provide for any stamp duties.



# Djibouti



## Contact details

### Physical address

*PwC does not have an office in Djibouti. PwC services, including indirect tax services, are provided to clients operating in Djibouti from our offices in Kenya.*

*Our Horn of Africa Tax Desk based in Nairobi offers market entry tax advice to foreign*

PwC Tower, Waiyaki Way/Chiromo Road, Westlands, Nairobi,

### Postal address

Box 43963 00100 Nairobi

### Tel

+254 20 285 5000

### PwC contact

Job Kabochi [job.kabochi@pwc.com](mailto:job.kabochi@pwc.com)

Osborne Wanyoike [osborne.wanyoike@pwc.com](mailto:osborne.wanyoike@pwc.com)

Tom Kavoi [tom.kavoi@pwc.com](mailto:tom.kavoi@pwc.com)

## Introduction

VAT was introduced in Djibouti by the Finance Law of 2009. VAT is levied on transactions carried out in Djibouti by individuals and legal entities who independently carry on taxable transactions, such as purchasing goods for resale, industrial, commercial or handicraft-making activities, including services.

## Scope of VAT and applicable rates

VAT applies on the taxable supply of goods and services supplied or imported in Djibouti.

There are three VAT classes applicable in Djibouti:

- zero rate — applicable on exports
- standard rate — applicable on certain goods identified as taxable goods
- exempt — applicable on certain goods identified as exempt goods.

## Registration threshold

All companies with a turnover of Djiboutian francs (DJF) 50 million or more are required to register for VAT.

## Taxation mechanism

A supplier of taxable goods or services is allowed to claim/deduct VAT paid (input tax) on the importation or purchase of goods and services. The claim is made through the monthly returns by reducing the output VAT payable.

Where a taxpayer deals with exempt supplies and taxable supplies, input VAT can only be partially recovered.

There are a number of supplies that are exempt from VAT such as banking operations, insurance operations, transfer of assets, private rents, medical operations and medicines and food.

VAT incurred on expenses related to staff, hotel fees, restaurant, entertainment and touristic cars is not deductible as input VAT.



# Egypt



## Contact details

Physical address	Plot No 211, Second Sector, City Center, Cairo
Postal address	P O Box 170, New Cairo, Egypt
Tel	+20 (0) 227597700

## PwC contact

Ahmed Osama	ahmed.osama@pwc.com
Mostafa Abdelazim	Mostafa.Abdelazim@pwc.com
Hazem Abdelaal	hazem.abdelaal@pwc.com

## Introduction

VAT law was enacted on 8 September 2016, replacing the former GST regime to enforce two types of taxes, 'VAT' and 'schedule tax'.

A unified tax law was enacted on 19 October 2020 - deleting some articles from VAT law as well as introducing some new articles in respect of the VAT regulations.

Law no.3 of 2022 was enacted on 26 January 2022 and new amendments added as well as articles regarding law no. 67 of 2016, in addition to one significant update to the stamp tax law no 111 of 1980.

The MOF issued new amendments to the executive regulations of the Value Added Tax Law pursuant to Resolution No. 24 of 2023 related to Law No. 3 of 2022 previously issued.

In the same context, the ETA issued the VAT guidelines for the remote services provided by non residents by MOF decree no. 160 for 2023.

## Scope of VAT

Tax shall be imposed on all commodities and services, whether local or imported, at all stages of trading.

A commodity is any material object, whatever its nature and source. The customs tariff code is used to define the commodity.

A service is any supply other than a commodity.

## VAT rates

The general VAT rate was 13% for the period from the enactment of the law in September 2016 to June 2017, and was raised to 14% thereafter.

In case of export transactions, VAT shall be imposed at the rate of 0% provided the supporting documentation is availed.

A reduced rate of 5% is applied on the sale of machines and equipment upon fulfilling certain criteria and conditions.

Inbound and outbound products from the free zone companies shall be subject to 0% under the oversight of the GAFI (General Authority for Free Zones and Investment) as long as the supply is related to the operations of a free zone company within the free zone.

## VAT registration

### Compulsory registration

Any natural or legal person who has attained the registration threshold shall be required to file a registration request within 30 days after reaching the threshold.

There is no threshold for importers of commodities or services, exporters, or distribution agents.

The taxable person shall notify the Egyptian Tax Authority (ETA) of any change in their tax registration information within a period of 30 days of such change. Otherwise, a penalty ranging from EGP20,000 and not exceeding EGP100,000 may be imposed.

## Voluntary registration

The law allows for voluntary registration provided that the applicant has a valid tax card and capital of at least EGP50,000, or a total amount of EGP150,000 as a trading turnover during the last 12 months before the request for registration.

## Group or branch registration

Not applicable.

## Non-residents

According to the newly introduced simplified vendor registration system, every non-resident and unregistered person who does not practise an activity through a permanent establishment in Egypt and sells goods or provides taxable services to a person who is not registered inside the country is obliged to apply for registration under the simplified vendor registration system specified by the executive regulations.

The simplified vendor registration system should be enforced within six months for services and within two years for commodities from the effective date of the law.

## Deregistration

The Tax authority shall automatically deregister the registered person in case that person no longer satisfies the mandatory registration requirements.

In case the voluntarily registered person may request for deregistration following 24 months from the registration. Or in case the registered person ceases to carry on the activity.

## Input tax deduction

### Input tax allowed

All registrants that provide a taxable output, meaning sales of commodities and/or services, are eligible to recover all of the incurred input tax in relation to such sale transactions.

This would be applicable as well in case of exporting commodities or services, and sale to exempted parties.

## Input tax expressly denied

Input VAT recovery is not allowed in the case of:

- sale subject to schedule tax
- exempted products and/or services
- input VAT that was booked as a cost element
- input VAT in cases of the Simplified Registration System.

## Partial exemption

Where a registrant makes a supply comprising both taxable supplies and exempted or scheduled tax supplies, they shall be eligible for partial recovery of the input VAT relating to the taxable supplies.

## Pre-registration or post-deregistration VAT

Any input VAT that was incurred prior to registration could be recovered as long as it is related to a supply made after the registration, provided the supplies were subject to VAT.

## Output tax

### Brief description of output VAT

The output tax is the applicable VAT imposed on the sale of commodities or provision of services at any stages of trade.

### Exempt supplies

There is a list of 57 items that are exempt from VAT at all stages of trade.

The exempt supplies include, but not limited to:

- tea, sugar and coffee
- crude oil
- natural gas and butane gas
- banking operations
- education, training and scientific research services
- health care services.

In addition, the law grants some exemptions to certain parties and activities, upon fulfilling certain criteria for each (e.g. diplomats, the military, oil and gas upstream business).



New items added in the introduced law no. 3 include sanitation services, non-touristic marine transportation services for individuals, air transportation for individuals, vaccines, blood and its derivatives and family planning products. Moreover, medicine and the relevant production materials shall be exempt based on a decree to be issued from the Egyptian drug authority. Freight services related to imported beans, grains, food salt and manufactured spices are now exempt from VAT. While medically equipped cars for individuals with special needs are no longer exempt, without prejudice to the provisions of the law of the rights of persons with special needs no. 10 of 2018.

The introduced law has exempted freight services related to importing beans, salt and manufactured spices.

Services provided by the Suez Canal authority for transiting ships, including the transit fees, are now exempt in addition to disregarding the uncollected tax for the period prior to the issuance of this law.

Machinery and equipment imported or purchased from the local market for industrial purposes, for a period of one year from the date of their custom release or purchase from the local market, should be exempted from VAT if it has been proven to the ETA that such machinery and equipment were used in the industrial production within one year (and this period may be extended by a maximum of additional one year). In case of selling these machines, they shall be subject to the general VAT rate at 14% and the seller should notify the ETA before selling.

## Zero-rated supplies

The commodities/products and services provided to a non-resident entity shall be seen as an export transaction subject to zero rate upon fulfilling certain conditions.

Sale transactions to free zones and economic zones with special natural entities shall be deemed as exports subject to zero rate on the condition of having approval from the free zone authority.

Special rated supplies

There is no reduced rate in VAT as per the introduced law no. 3 of 2022.

## International trade

### Imports

#### Goods

Goods shall be considered as imported when transferred to the Egyptian territories and entered into the local territories under the oversight of the customs authority which is responsible for applying the import VAT.

### Services

Services shall be considered as imported where they are provided by a non-resident entity to a recipient in Egypt.

Resident and registered entities are no longer required to calculate and declare the tax due on imported services if the non-resident service provider is registered at the ETA under the simplified vendor registration system.

### Exports

#### Goods

A sale from a local Egyptian company to a non-resident entity shall be seen as export sales with the condition that the transaction is supported by the relevant customs documentation. (i.e. export forms no. 13).

#### Services

Providing a service in Egypt to a non-resident service recipient shall be seen as an export service under the condition of fulfilling the criteria listed under the executive regulation.

If the place of utilising the service is abroad, the VAT at the rate of 0% will be applied under the exported service conditions. However, if the place of utilising the service is in Egypt, even indirectly, it will be considered as a local service and will be subject to the standard VAT rate or schedule tax depending on the nature of the services.

## Place, time and value of supply

### Place of supply

Generally, the place of delivery shall be considered as the place of supply of goods. On the other hand, the place of supply for the services is where the recipient is located.

### Time of supply

Output tax is due 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.

In the case of a provision of services of a continuous nature such as telecommunications, and construction works, the time of supply shall be the date of issuing the invoice.

## Value of supply

The taxable value for purposes of VAT assessment shall be the actual paid-up value, or the amount payable for the supply.

For related party transactions, the value shall be the market value at arm's length.

The taxable value shall comprise the amounts collected from the buyer or the service recipient and all incidental expenses such as the cost of commission, wrapping, transportation, insurance, etc.

The value shall be reported as a basis for VAT assessment and private usage shall be determined on the basis of the total cost. The value for commodities or services for personal consumption shall be determined according to the market forces and transaction circumstances (i.e. normal sales value).

The taxable value of the instalment shall include the instalment sale interest, if exceeding the credit and discount rate announced by the Central Bank of Egypt on the sale date.

The value of the imported commodities shall include the applicable customs duties and any other services related to the imported commodities.

The value for the sale of used products shall be 30% of the sale value of the products.

## VAT compliance

### Accounting basis and tax period

The registrant must have regular accounting books and records, which could also be in the form of an electronic accounting system.

The taxable person must have electronic accounts that clarify the annual revenues and costs. Such electronic accounts will be managed by the decree that will be issued by the Minister of Finance on the transformation from the paperwork accounting system to the electronic accounting system.

A penalty ranging from EGP20,000 and not exceeding EGP100,000 in case of the failure in being compliant in having electronic accounts as mentioned above.

The Minister of Finance may introduce some simplified rules for having accounting books and records for specific categories of taxable persons who will be specified by his decision.

The tax period is represented as one calendar month, while the financial year follows the financial year for each of the registrants.

## Returns and payment of VAT

The VAT return covers a period of one month and should be filed on the ETA online portal within one month after the end of the month.

The tax shall be payable on the date of submission of the return.

Any delay in paying the due VAT shall be subject to an additional tax calculated based on 1.5% of the due tax per month (or part of a month).

In addition to the delay fine, the law imposes a penalty on certain acts that are in violation of the law. These are to be not less than EGP3,000, and not more than EGP50,000. These violations include delay of the return filing, declaring inaccurate information in the return and failure to submit a return through the tax authority's online gateway.

Failure to submit a VAT return for a period of more than 60 days from the time limits allowed for submission of such return is followed by imposition of a penalty of not less than EGP50,000 and not more than EGP2,000,000.

Tax evasion attracts penalties ranging from EGP5,000 and not exceeding EGP50,000 and/or imprisonment of between three and five years.

The following are examples of tax evasion acts:

- failing to register for vat within the legally due dates
- failure to declare taxable revenues
- incorrect input tax deduction
- failure to issue a tax invoice.

### Objections and appeals

In the case of receiving an unfavourable tax claim, the registrant has 30 days from the date of notification to lodge an appeal. The first stage is to present the case to an internal committee to study the appeal request within a time frame of 60 days.

If a settlement is not reached, the case is transferred to the appeal committee within the following 30 days.

The appeal committee opinion shall be considered as a final decision and, in case it is not favourable to the registrant, the case may be escalated to the courts.

### Time limits

The VAT return should be filed within one month following the end of the tax period.



## Withholding VAT obligation

### Appointment of withholding VAT agents

Not applicable.

### Withholding VAT exemption

Not applicable.

### Withholding compliance

Not applicable.

### Refunds

The registrant is eligible for a refund of VAT paid in the following cases:

- the input VAT paid on the materials and services that are exported whether in original form or as part of other products
- the input VAT was erroneously calculated
- the input VAT balance has been carried forward for more than 6 continuous periods
- input VAT paid on machines and equipment used in production or service provision except for cars and buses (unless their usage is the licensed activity of the company)
- the input tax incurred by a non-resident person registered via the simplified registration system for the purposes of carrying out their activity within the country.

In December 2019 changes to regulations gave registrants the possibility of obtaining a refund of up to 65% of the VAT credit balance amount against a letter of guarantee from a bank until the formal refund procedures are finalised — which should take a maximum period of 6 months.

## VAT record-keeping

### Tax invoices

According to Decree no. 188, issued by the ministry of finance in 2020, registrants are obliged to issue an electronic tax invoice for each sale transaction, including the e.signature and the certified unified code of the goods or services provided.

In regards to the application of the aforementioned decree, the ETA does not accept the recovery of any costs or expenses, and does not accept paper invoices received from suppliers for VAT deduction/refund purposes except those supported by an electronic invoice starting from July 2023.

The tax invoice should include specific information set out by regulation as follows:

- sequential number and date
- seller name, address, and registration number

- purchaser name, address, and registration number or ID number
- the item description and value
- the VAT rate and amount in a separate line.

The minister of finance may introduce some simplified systems — on a case-by-case basis — to calculate the VAT for those who could not issue regular tax invoices per transaction. POSs can use such simplified systems, which can be linked directly with the ETA for live reporting of tax.

### Credit notes and debit notes

The registrants have the right to issue credit notes and debit notes to reflect adjustments in sale transactions or any corrective actions that have a VAT impact with considerations on the conditions and rules specified in the executive regulations for every different situation.

### Additional export documentation

For each export transaction, the seller should maintain the appropriate supporting documentation.

For the exportation of products, the seller should maintain an archive of the export sales documents i.e. Form no. 13 that is issued for each export.

### Record-keeping

Every registrant must archive records and documentation for five years following the tax period in which the registrant submitted the return.

A penalty not exceeding EGP50,000 will be imposed in case of failure to comply with the archiving time frame mentioned above for paper and electronic records. In cases where the registrant is subject to an evasion case, the ETA has the right to extend this period to six years.

## Specific VAT rules

### Bad debts

The debts due to the ETA from the registrant may be written off in any of the following cases:

- in case of a final ruling for adjudging a bankruptcy and if the bankruptcy case is closed
- if the registrant leaves the country for a ten-year period without leaving funds
- if it is proved that the registrant has no money to seize
- if the registrant dies without leaving legacy.

### Digital economy

The ETA established an e-commerce unit in Egypt to regulate the digital economy inside the country.

## Electronic goods

Any individual or juridical person practising the activity of selling goods (subject to general rate only or combining general rate and exempted goods together) through websites or social media platforms to independent sellers, and have attained the registration threshold, shall be required to register with the VAT tax authorities.

However, if their revenues are related to commissions, exported goods or goods subject to schedule tax, then they are obligated to register for VAT once they start their businesses.

## Electronic services

This means services provided through the Internet or any social media platforms, freelance services and e-learning.

Freelancers usually practise professional services that are subject to 10% schedule tax, which makes it necessary for them to register for VAT once they start their businesses. However, if the freelance activities, for example, are related to design or selling mobile and computer software that are subject to 14% general rate and have attained the registration threshold, they are required to register with the VAT tax authorities.

E-learning services are exempted from VAT, unless the service providers do not work under educational institutions, therefore they shall be treated as freelancers providing professional services subject to 10% and obliged to register for VAT once they start their businesses.

In light of the Egyptian government's continual efforts in the digitalization journey, the ETA has implemented a simplified VAT registration and compliance framework for non resident vendors and electronic distribution platforms (EDPs) selling remote services to consumers in Egypt. Accordingly, the ETA issued the VAT guidelines for remote services provided by non residents by MOF decree no. 160 for 2023.

The guidelines are addressed to non resident service providers and digital product vendors.

- All non-resident service providers and digital products vendors are required to register according to the guidelines within three months from the date of the ministerial decree (22 March 2023).
- If sales exceed EGP500k annually, the service providers should register under the new simplified vendor registration system.
- Non resident service providers and EDPs shall register for VAT online, without having to establish a physical presence in Egypt.

## Land and buildings

The sale and lease of land and buildings are some of the more challenging transactions from a VAT perspective since they are listed under the exemption list. However, for the sale and lease of non-residential units, the regulations limit the exemption and, subject to certain criteria, impose VAT on such transactions.

## Leasing

Leasing services are subject to the general VAT rate of 14% unless they are provided by a company that operates under the supervision of the Financial Regulatory Authority, in which the transactions would be exempt from VAT.

## Promotional gifts

Promotional gifts in principle should be subject to the normal VAT application with very limited exceptions subject to approval by the Minister of Finance, where such gifts may be exempted in case of being provided to the government's administrative departments.

## Secondhand goods

The sale of used products is subject to special treatment where the taxable value is only 30% of the sales value.

In order to apply such special treatment, the following conditions have to be met, otherwise the normal application of VAT on the full sales value should be applied:

- the product has to be originally purchased as a new item by the current seller
- it has to be used for at least two years
- it has to be directly sold by the registrant.

## Tourism industry

Normal application of VAT.

## Currency conversion

The currency conversion service is listed as exempted services including the trading of the commemorative coins.

## Transfer of business

Transfer of business assets shall be subject to tax, but the transfer of shares shall not be considered a taxable transaction.

## Warranty repairs

Warranty services are subject to the normal VAT application.



## Other indirect taxes

### Import duties

The new Customs Law no. 207 of 2020 was recently enacted.

The Minister of Finance issued Ministerial Decree no. 38 of 2021 to apply a new pre-clearance or Advance Cargo Information (ACI) system that requires importers to submit e-customs declarations for shipments before their arrival.

### Excise duties

Under the Egyptian VAT Law no. 67 of 2016, an excise tax was introduced as a special tax rate imposed on certain products and services.

The excise tax (which is also called schedule tax or table tax) should be imposed only once on the listed products and services (e.g. professional services, construction services, processed potatoes). The excise tax is solely applied on specific listed items while it could be applicable in addition to the normal 14% VAT on some other items (e.g. air conditioners).

The excise tax should not be considered as a recoverable input tax, nor should it be deducted against incurred input tax, with very limited exceptions.

### Stamp duty

There are two distinct types of stamp tax, which are imposed on legal documents, deeds, banking transactions, company formation, insurance premiums, and other transactions:

- The nominal stamp tax is imposed on documents, regardless of their value. The tax rate for items such as contracts is EGP0.9 for each paper.
- Percentage or proportionate stamp tax is levied based on the value of transactions.

Advertising services are no longer subject to stamp tax duty at 20% after the issuance of law no.3 of 2022. However, such services are now subject to a general VAT rate at 14%.



# Equatorial Guinea



## Contact details

Physical address	EGICO Tower, 3rd and 4th floors PO Box: 431 MALABO
Tel	+240 222 155 126 +240 333 09 09 10

## PwC contact

Sinforiano Ngomi [sinforiano.ngomi.elomba@pwc.com](mailto:sinforiano.ngomi.elomba@pwc.com)

Elomba Nanda Nzambi [nanda.nzambi@pwc.com](mailto:nanda.nzambi@pwc.com)

José Mbara Richard [jose.mbara.richard@pwc.com](mailto:jose.mbara.richard@pwc.com)

Zénika Sanogho [zenika.sanogho@pwc.com](mailto:zenika.sanogho@pwc.com)

Website <https://www.pwc.com/gq/en.html>

## 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 entered into force on 1 January 2005 and is locally referred to as 'Impuesto sobre el Valor Añadido' (or 'IVA', its Spanish acronym).

## Rates and scope

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

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 consider that VAT is not applicable in the oil & gas sector. There is no written confirmation of this practical position.

However, during the last tax audits, the administration seems to consider that the legal VAT exemption should be limited to activities directly linked with oil operations.

Entities operating within the oil & gas sector are not required to invoice with VAT because VAT is not applicable within the sector. However, outside the sector, oil & gas companies may be required by non-oil & gas vendors to pay VAT if they do not justify an exemption from this tax granted by the Tax Administration. (said VAT is generally allowed as a deductible expense).

VAT is chargeable on:

- goods sold or assigned for valuable consideration
- services provided
- self-consumed goods and services
- imports
- other operations performed by individuals or legal entities in their sphere of business, whether professional or individual, including all kinds of extraction activities.

## VAT registration

### Compulsory registration

Individuals and legal entities (or their representatives) engaged in economic activities, regardless of their nature or outputs, that are classified as taxpayers under the Tax Code must register with the tax administration and obtain a tax identification number ('Número de Identificación Fiscal' in Spanish).

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 out 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 VAT. If no tax representative is appointed, the client must pay the VAT liability and any applicable 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
- 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 reflect the amount of VAT, separated from any other amounts, in order to allow the customer to deduct input tax.

### Exempt supplies

The Tax Code gives an exhaustive list of goods exempted from VAT, as follows:

- raw agricultural goods
- the following operations, provided they are subject to some specific taxes:
  - 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) 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 and religious services and 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
- 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 Customs Services.

## Input tax

### Input tax allowed

In general, the right to deduct VAT is allowed when it is:

- paid on invoices related to transactions that have a deduction right (the taxpayer has a tax number, etc.)
- stated on purchase invoices issued to taxpayers by sellers who are legally authorised to include the tax on the said invoices
- paid at the time of the import
- levied on invoices for equipment goods.

### Input tax expressly denied

Restrictions apply to the recovery of input tax 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 full name or any identification details of the client concerned
- it is not claimed within the period allowed (i.e. two years after the year of enforceability of the vat)
- the VAT relates to exempt or zero-rated supplies.

### Partial exemption

Taxpayers who are partially or fully exempted from VAT 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

- 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 pay VAT equal to the tax fraction previously deducted, before the end of the fourth year of acquisition.

The fraction is equal to the difference between the total deduction made, and one-fifth per year or per fraction of a year since it was acquired.

In 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 it is also a VAT payer.

The seller must issue a statement to the purchaser reflecting the amount of the deductible VAT as a condition for making the deduction.

## International trade

### Imports

VAT payable on imports is calculated on 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 goods and merchandise are introduced into the national territory as defined in the CEMAC Customs Code.

### Exports

The zero-rate related to exports is applied only if the return has been certified by 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's territory are subject to VAT.

A sales operation is treated as having been 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 and self-consumed goods
- services — at the time of recovery of payment for the services
- imports — at the time when the declaration of consumption of the goods is registered
- 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
- 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 during the preceding month, and make immediate payment

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
- 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 a benefit for the taxpayer.

## Refunds

No refund is allowed under the Tax Code. When the amount of VAT deductible for one month exceeds the amount of the VAT liability, the surplus constitutes a tax credit attributable to the VAT liability of the following period(s).

## Objections

The taxpayer can appeal a decision with the same authority that took the decision or with a higher authority.

The case could also be submitted to tax panels ('Jurados Tributarios'). Tax panels are the governing bodies that must resolve controversies regarding 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 for down-payments received for these operations. Each invoice must reflect the following:

- serialised invoice number and chronological date
- name, address and tax number of the company
- prices, with the respective vat charges listed separately
- name, address and tax number of taxpayer.

## Other indirect taxes

### 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 to invoices.

“A branch of a company registered in terms of Equatorial Guinea legislation must also be registered with the tax administration.

Sinfioriano Ngomi, Partner, Tax and Legal Services, PwC Equatorial Guinea

## 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
- 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 the precise determination of the following for each settlement period:

- total amount of VAT that the taxpayer has passed on to its clients
- total amount of VAT that suppliers have passed on to the taxpayer during the same settlement period
- 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) in the Tax Code. However, both the Tax Code and CEMAC provisions list special rates for products such as:

- sparkling wine and champagne — 20% (special duties) and 15% (CEMAC duties)
- cigars, cigarettes and tobacco — 50% (special duties) and 25% (CEMAC duties)
- 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.

### Additional measures

Ministerial Order (MO) n°6/2019 dated November 5, providing Additional Measures on the application of VAT in Equatorial Guinea (EG) published on November 6, 2019 (entered into force on the same date).

MO n°6/2019 has been adopted in consideration of the non-compliance with the provisions of article 370 of the Tax Code that provides the obligation for taxpayers to reflect on the invoices issued prices, with the respective VAT listed separately.

In order to guarantee taxpayers/operators' effective compliance with mandatory obligations related to VAT, the Ministry of Finance, Economy and Planning has adopted the additional measures listed below:

- reminder on the scope of application of VAT (article 271 of the EG Tax Code):
  - goods sold or assigned for valuable consideration
  - services provided
  - self-consumed goods and services
  - imports
  - other operations done by individuals or legal entities in the sphere of their professional, individual, or business activities, including extraction industries of all kinds.
- compulsory statements of invoices (article 315 of the EG Tax Code) — The administration will not accept VAT returns with invoices that do not clearly separate the gross amount, the applicable VAT and the net amount, and do not meet the following mandatory requirements provided by art 315 of the EG Tax Law: Each invoice must reflect:
  - correlative number and chronological date
  - name, address and Taxpayer Number of the company
  - prices, with the respective VAT listed separately
  - name, address and Taxpayer Number of taxpayers.

### Payment of VAT by public administrations

Public Administrations will not pay invoices for operations subject to VAT when such invoices do not comply with the above-mentioned requirements.

The Public Administration will automatically deduct from the total amount of the invoice presented by economic operators, the amount corresponding to VAT when said tax is not listed separately.

### Adjustment period

The MO provides a three-month period following the date of its publication (i.e., by February 6, 2020) to comply with the above requirements (invoices, supported).

“ A standard special duty tax of 30% applies to an exhaustive list of products (mainly luxury goods) in the Tax Code.

José Mbara Richard, Partner, Tax and Legal Services,  
PwC Equatorial Guinea





## Contact details

<b>Physical address</b>	<i>PwC does not have an office in Eritrea. PwC services, including indirect tax services, are provided to clients operating in Eritrea from our offices in Kenya.</i>  <i>Our Horn of Africa Tax Desk based in Nairobi offers market entry tax advice to foreign investors.</i>
<b>Postal address</b>	PwC Tower, Waiyaki Way/Chiromo Road, Westlands, Nairobi, Box 43963 00100 Nairobi
<b>Tel</b>	+254 20 285 5000

## PwC contact

Job Kabochi	job.kabochi@pwc.com
Osborne Wanyoike	Osborne.wanyoike@pwc.com
Tom Kavoi	tom.kavoi@pwc.com

## Introduction

Eritrea does not have a VAT system but rather sales tax. Sales tax was formally introduced through a proclamation in 1994, and is governed by the Sales and Excise Tax Regulation 64/1994, and its subsequent amendments and its regulations in 2001.

The sales tax applicable to services is referred to as services tax.

## Scope and applicable rates

Sales tax is applicable on the supply of taxable goods and services and upon the importation of taxable goods and services.

The applicable rates are as follows:

- 5% on certain locally produced and imported goods such as dairy products, sugar, petroleum oils, certain pharmaceuticals and other items listed in the relevant legislation
- 5% on services provided in Eritrea such as construction services, internet services and other services listed in the relevant legislation

- 10% on services provided in Eritrea such as telecommunications, legal services, consultancy services and other services listed in the relevant legislation
- 12% on other goods not included under the exempt, 5% or 10% schedules.

## Registration

There is no registration threshold for sales tax in Eritrea.

## Basis of computation

The basis of computing sales tax and services tax is:

- goods produced locally — the wholesale price including excise tax paid on the goods
- goods imported — CIF + customs duty and excise duty
- locally rendered services — service fee charged locally.

## Offsets/refunds

Sales tax is a final tax and setting off payables/receivables is not possible.



## Contact details

**Physical address** Rhus Office Park, Kal Grant Street, Mbabane

**Postal address** P O Box 569, Mbabane H100

**Tel** +268 24 04 28 61

## PwC contact

Theo Mason [theo.mason@pwc.com](mailto:theo.mason@pwc.com)

**Website** [www.pwc.sz](http://www.pwc.sz)

## Introduction

VAT was introduced in Eswatini with effect from 1 July 2011, by way of the Value-Added Tax Act 2011. VAT replaced the general sales tax system that had been used for many years.

The VAT system is administered by the Commissioner for VAT in the Eswatini Revenue Authority (SRA).

The supply of services includes making available any facility, tolerating any situation or omitting to act, thereby causing a person to receive payment; or the application of services for own use.

VAT is charged on a supply by auction, the sale of goods by instalments, lay-by sales and the supply of taxable fringe benefits. A supply of goods or services by an agent for a principal is regarded as 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.

## Rates and scope

The VAT rates are as follows:

- 0% on goods and services exported from Eswatini
- 0% on supplies of electricity to individuals and 15% for commercial entities.
- 15% on all other taxable supplies and services (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 Eswatini or imported into Eswatini, 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 personal or non-business use.

## VAT registration

### Compulsory registration

Eswatini's currency is the lilangeni. The VAT registration threshold is SZL500,000 taxable turnover in the past or next 12 months. The SRA 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.

A person who:

- fails to apply for registration as required under section 6
- fails to notify the Commissioner-General of a change in circumstances as required by section 9(10), or
- fails to apply for cancellation of registration as required by section 8(1)
- commits an offence and is liable on conviction:
  - where the failure is deliberate or reckless, to a fine not less than SZL6,000 but not exceeding SZL15,000 or to imprisonment for a term not exceeding six years or to both; or

- in any other case, to a fine not less than SZL2,000 but not exceeding SZL6,000 or to imprisonment for a term not exceeding three years, or to both.

## Voluntary registration

A person whose taxable turnover is below the threshold may apply for voluntary registration.

A person who has set up a business and intends to make taxable supplies in future can apply to be registered for VAT even before making the taxable supplies.

## Registration of non-residents

A person living in Eswatini may be required to register for VAT notwithstanding the fact that only part of their business is carried on in Eswatini while the other part is carried out abroad. A person will also be required to register for VAT if they have a place of business in Eswatini but live or only supply goods or services abroad.

A local fiscal representative is required, but a bank account in Eswatini 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.

## Deregistration

The SRA should be notified in writing if the following should happen and deregistration has to 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 permanently ceases to trade
- if a person was registered as an intended trader and the intention to make supplies has 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 the following:

- The supply of financial services
- The supply of insurance services
- The supply of land and buildings except for land and buildings used for commercial and industrial purposes

- A supply by way of lease or letting of immovable property, other than a:
  - Lease or letting of commercial premises
  - Lease or letting of hotel or holiday accommodation
  - Lease or letting of residential accommodation for periods not exceeding 45 days
  - Lease or letting of space for parking or storing cars or other vehicles
- the supply of education services
- the supply of medical, dental, and nursing services
- the supply of social welfare services
- the supply of betting, lotteries, games of chance or casino gambling services
- the supply of burial and cremation services
- the supply of precious metals and other valuables to the Central Bank of Eswatini for the Treasury of the Government of Eswatini
- the supply of passenger transportation services, other than services provided by registered tour operators
- the supply of sewage services
- the supply of 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 recognised as being devoted to social wellbeing
- the supply by an amateur sporting organisation of sporting activities, where such activities are deemed for purposes of the Act to be non-professional
- the supply of non-profit making cultural activities and services
- the supply of goods and services in a charity arrangement.



## Zero-rated supplies

### Zero rated:

Supply of good used or consumed for agricultural, pastoral or other farming purposes

1. The goods in respect of the supply or import of which the rate of zero percent shall apply under the provisions of section 24(4) of Value-Added Tax Act 2011 shall, subject to various provisions of paragraph 2, be as follows –
  - a. animal feeds consisting of-
    - i. any substance obtained by a process of crushing, gritting or grinding, or by addition to any substance or the removal therefrom of any ingredient;
    - ii. any condimental food, vitamin or mineral substance or other substance which possesses or is alleged to possess nutritive properties;
    - iii. any bone product;
    - iv. any maize product, intended or sold for the feeding of livestock, poultry, fish or wild animals (including wild birds); or
    - v. stock lick or substance which is of a kind which can be and is in fact used as a stock lick, whether or not such stock lick or substance possesses medicinal properties,
  - b. animal remedy consisting of a substance intended or offered for use in respect of livestock, poultry, dog, fish or wild animals (including wild birds), for the diagnosis, prevention, treatment or cure of any disease, infection or other unhealthy condition, or for the maintenance or improvement of health, growth, production or working capacity;
  - c. fertiliser consisting of a substance in its final form which is intended or offered for use in order to improve or maintain the growth of plants or the productivity of the soil
  - d. pesticide goods consisting of any chemical substance or biological remedy, or any mixture or combination of any such substance or remedy, intended or offered for use
    - i. in the destruction, control, repelling, attraction, disturbance or prevention of any undesired microbe, alga, bacterium, nematode, fungus, insect, plant, vertebrate or invertebrate; or
    - ii. as a plant growth regulator, defoliant, desiccant, adjuvant or legume inoculant, and anything else which the Minister responsible for agriculture has by notice in the gazette declared to be a pesticide;
  - b. plant goods consisting of living trees and other plants, bulbs, roots, cuttings and similar plant products in a form used for cultivation;
  - c. seeds and seedlings in a form used for cultivation.

2. The provisions shall apply only where –
  - a. tax invoice in respect of the relevant supply is issued containing such particulars as required by section 29(4) of Value-Added Tax Act 2011 Act; and
  - b. the import, acquisition, disposal, sale or use of the said goods is not prohibited under any law.

## Supply of goods consisting of certain foodstuffs

1. The goods in respect of the supply of which the rate of zero percent shall apply under the provisions of section 24(4), subject to the provisions of paragraph 2, consists of the following-
  - a. brown bread consisting of dough made from brown wheaten meal and water, with or without other ingredients that has fermented by yeast or otherwise leavened and has been baked in the form, size or shape stipulated in the Weights and Measures (Sale of Bread) Regulations;
  - b. maize, where it is dried kernels or grains fit for human consumption, not further prepared or processed and not packaged as seeds excluding popcorn (*zea mays everta*);
  - c. maize meal graded as super maize meal, special maize meal, sifted maize meal or unsifted maize meal, not further processed other than by the addition of minerals and vitamins not exceeding one per cent by mass of the final product, solely for the purpose of increasing the nutritional value;
  - d. samp, not further prepared or processed;
  - e. dried beans, whole, split, crushed or in powder form but not further prepared or processed or where packaged as seed;
  - f. dairy products, being milk of all kinds; fermented milk, buttermilk, fresh or UHT cream or sour cream, buttermilk powder, condensed milk, baby milk formulas, butter and margarine; and whey;
  - g. rice, whether husked, milled, polished, glazed, parboiled or broken;
  - h. vegetables, not cooked or treated in any manner except for the purpose of preserving such vegetables in their natural state, but excluding dehydrated, dried, canned or bottled vegetables or such vegetables as are described under separate paragraphs in this Part;
  - i. fruit, not cooked or treated in any manner except for the purposes of preserving such fruit in its natural state, but excluding dehydrated, dried, canned or bottled fruit and nuts;
  - j. vegetable oil marketed and supplied for use in the process of cooking food for human consumption, but excluding olive oil; or

- k. fresh eggs, being raw eggs laid by hens of the species *gallus gallus domesticus*, whether supplied in their shells or in the form of egg pulp being raw pulp consisting of the yolk and white which is obtained from such eggs after the shells have been removed.
2. The provisions of paragraph 1 shall not apply where any goods mentioned in that paragraph are supplied in the course of carrying out any agreement for the furnishing or serving of any meal, refreshment, cooked or prepared food or any drink, as the case may be, so as to be ready for immediate consumption when so supplied
- d. medicines and drugs supplied –
    - i. for use in a qualified medical facility;
    - ii. to the Government Central Medical Stores; or
    - iii. to an individual, subject to submission by that individual, of a qualified medical practitioner's prescription issued within thirty (30) days prior to the supply and in such quantities as prescribed by the qualified medical practitioner; or,
  - e. The supply of international transport services in connection with the international transport of goods or passengers.

## Supply of other goods and services

1. Goods or services are treated as exported from Eswatini where in the case of –
  - a. goods, they are delivered to, or made available at, an address outside Eswatini as evidenced by documentary proof acceptable to the Commissioner General; or,
  - b. services, they are supplied for use or consumption outside Eswatini as evidenced by documentary proof acceptable to the Commissioner General;
  - c. the services are supplied directly in respect of goods temporarily admitted into Eswatini from an export country which are exempt from tax on importation under Item 470 of paragraphs 34 and 35 of First Schedule.
2. International transport of goods or passengers occurs where the goods or passengers are transported by road, rail or air from a place –
  - a. outside Eswatini to another place outside Eswatini where the transport or part of the transport is across the territory of Eswatini;
  - b. outside Eswatini to a place in Eswatini; or,
  - c. in Eswatini to a place outside Eswatini.
3. The goods in respect of the supply of which the rate of zero percent shall apply under the provisions of section 24 (4) of Value-Added Tax 2011 shall, subject to the provisions of paragraph 2, be as follows-
  - a. petrol, diesel and liquid petroleum gas;
  - b. paraffin (kerosene) intended for cooking, illuminating and heating, provided it is not mixed or blended with any other substance for any purpose other than cooking, illuminating or heating;
  - c. supply of exercise books and textbooks approved by the Ministry responsible for education for the furtherance of education in a qualified educational institution established under public law;

“ A person living in Eswatini may be required to register for VAT notwithstanding the fact that only part of their business is carried out in Eswatini while the other part is carried out abroad

Theo Mason, Partner, Assurance Services, PwC Eswatini

## 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 is not recoverable.

The vendor must be in possession of a proper VAT invoice for purchases made in Eswatini, or customs documentation in respect of goods imported into the country.

Where a vendor has lost a tax invoice, they 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 or partially claimed:

- mobile telephone bills — only 50%
- motor cars with a weight of less than 3.5 tons. This includes maintenance and repairs to motor vehicles under this weight
- business entertainment, namely hospitality of any kind provided in connection with a business, including the supply of meals, drinks and entertainment at clubs and the provision of recreational facilities.

## Partial exemption

If a vendor makes taxable supplies as well as exempt supplies, they may claim part of the input tax paid on their 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.

## Preregistration 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
- 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, invoice copies etc. to support the claim.

## International trade

### Imports

#### Goods

VAT is payable on the importation of goods by any person into Eswatini. The VAT paid by the vendor on the importation of goods for their business can be claimed as an input tax deduction.

Goods imported from a country from the Southern African Customs Union (SACU) (i.e. Botswana, Namibia, South Africa and Lesotho) are deemed to have been imported into Eswatini at the time the goods physically enter Eswatini. Goods are deemed to have been imported into Eswatini from outside SACU on the date on which the goods enter the borders for use within Eswatini.

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 SACU, their taxable value is the sum of the customs value of the imported goods and the customs duty payable on it.

Where goods are imported from a SACU country, their value 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 Eswatini.

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 20th day of the month following the month during which the goods were imported.

Goods that would have been exempt or zero-rated if supplied in Eswatini are subject to the same VAT when imported into Eswatini.

### Services

An imported service is a supply of services by a person in the course or furtherance of an enterprise carried on outside Eswatini that are meant for use or consumption in Eswatini. VAT is payable on the imported service by the person importing the service into Eswatini, 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 made 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 upon allocation to a customer's order. If the goods are in Eswatini when allocated, the supply is in Eswatini, while if the goods are not in Eswatini when allocated, the supply is normally outside the scope of VAT, or
- 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 Eswatini, but not near the border between Eswatini and another country, the commissioner may determine that the services are supplied in Eswatini if the supplier is registered or operates in Eswatini, or
- in the case of the supply of radio, television, telephone or other communication services, if the signal or service originates outside Eswatini, 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:

- except as otherwise provided under this Act, a supply of goods or services 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 — (i) the goods are delivered or made available, or the performance of the service is completed; (ii) payment for the goods or services is made, or, (iii) a tax invoice is issued for the services received
- a vendor is deemed to have made a payment on the date that they receive a VAT invoice. In relation to cheques, a vendor is deemed to have made a payment on the date that they send the cheque or the date on the cheque, whichever is 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, they 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 payments 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
- supply for a reduced consideration

## VAT compliance

### Accounting basis and tax periods

Where a vendor has adopted the cash VAT accounting system, they account 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 or quarterly depending on turnover) 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 2% per month of the outstanding VAT. The interest is compounded.

## Refunds

Where a vendor has overpaid VAT for any tax period, they have 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 tax arrears. Where a vendor can satisfy the SRA that excess credits are a feature of their business activities, the quarterly rule may be waived and the vendor may be allowed to make monthly refund claims, or whenever a credit arises.

## Objections and appeal

A person who is dissatisfied with a decision of a tax officer may submit an objection to the Commissioner-General within 30 days after the service of the notice of decision.

Where the Commissioner-General is satisfied that owing to absence from Eswatini, sickness or other reasonable cause, the person who is dissatisfied was prevented from submitting an objection within the time specified in subsection (1) and there has been no unreasonable delay by the person in lodging the objection, the Commissioner-General may accept an objection submitted after the time specified in subsection (1).

The objection shall be in writing and shall specify in detail the grounds upon which it is made.

Where an objection to, or a notice of appeal against an assessment has been submitted, the tax payable under the assessment is due and payable, and may be recovered, notwithstanding that objection or appeal.

The Commissioner-General shall only consider an objection submitted if the person has given sufficient security for the tax due under the assessment and any penalty tax that may become payable.

The Commissioner-General shall serve the person objecting with notice in writing confirming the receipt of the objection within 14 days of its receipt. If the Commissioner-General has not made an objection decision within 90 days after the receipt of the objection, the Commissioner-General shall be deemed to have made a decision to allow the objection.

## Appeal to the Tax Tribunal

A person dissatisfied with an objection decision may, within 30 days after being served with notice of the objection decision, submit a notice of appeal with the Tax Tribunal and serve a copy of the notice of appeal on the Commissioner-General.

The Tribunal may admit an appeal after the expiration of 30 days if it is satisfied that the appellant has a good and sufficient reason for not submitting the notice of appeal within the time specified in subsection (1).

In an appeal to the tax tribunal against an objection decision, a person is limited to the grounds set out in the objection, unless the tribunal grants the person leave to add new grounds.

In deciding an appeal, the tribunal may make a decision:

- affirming, reducing, increasing, or varying the assessment under appeal; or
- remitting the assessment for reconsideration by the Commissioner-General in accordance with the directions of the tribunal.

## Appeal to High Court

A person who is dissatisfied with a decision of the tax tribunal may, within 30 days after being notified of the decision, submit a notice of appeal with the registrar of the high court; and shall serve a copy of the notice of appeal on the other party to the proceedings before the tribunal.

An appeal to the high court may be made on questions of law only, and the notice of the appeal shall state the question or questions of law that will be raised on the 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 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, and VAT and TIN registration numbers
- the commercial name, place of business, and VAT and TIN registration numbers of the recipient
- the date the credit note is issued
- a brief explanation of the circumstances that gave rise to the issuing of the credit note
- sufficient information to identify the taxable supply to which the credit note relates
- 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 Eswatini customs at exportation
- certified copies of customs import documents of the country of destination
- proof of payment (settlement), if applicable.

## Record-keeping

A vendor must keep record of all supplies made and 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, they do not need to issue a VAT invoice unless the customer asks for one, but they must make a summary of their 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
- credits allowed to customers.

A vendor must keep a summary of supplier invoices received, showing separate totals for:

- VAT paid on purchases in Eswatini
- value of the purchases before VAT
- VAT paid on imported supplies
- credits received from suppliers.

A 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
- business records.

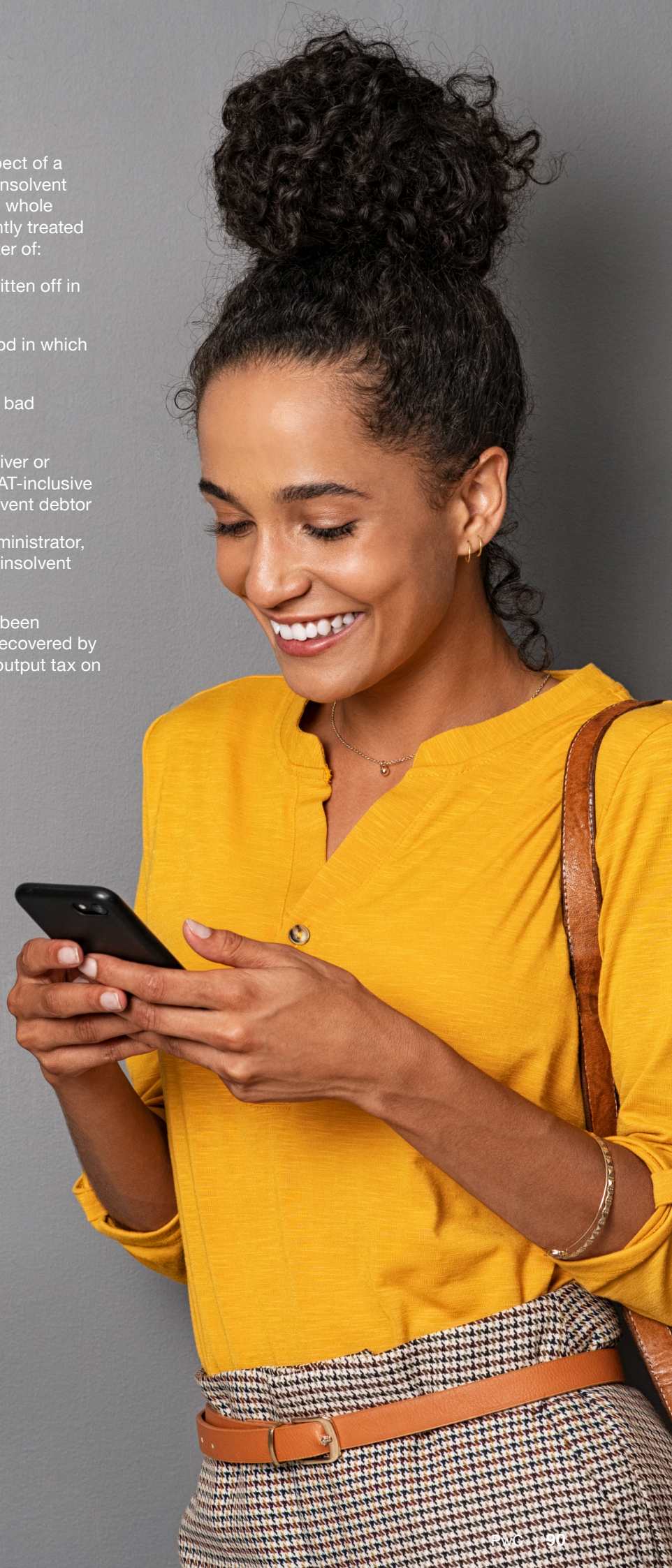
## Specific VAT rules

### Bad debts

VAT paid to the SRA 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 their debtor for the VAT-inclusive amount that they are owed by the insolvent debtor
  - 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.



# Ethiopia



## Contact details

### Physical address

*PwC does not have an office in Ethiopia. PwC services, including indirect tax services, are provided to clients operating in Ethiopia from our offices in Kenya.*

*Our Horn of Africa Tax Desk based in Nairobi offers market entry tax advice to foreign investors.*

### Postal address

PwC Tower, Waiyaki Way/Chiromo Road, Westlands, Nairobi,  
Box 43963 00100 Nairobi

### Tel

+254 20 285 5000

### PwC contact

Job Kabochi                      job.kabochi@pwc.com

Osborne Wanyoike            osborne.wanyoike@pwc.com

Tom Kavoi                        tom.kavoi@pwc.com

## Introduction

VAT was introduced in Ethiopia in January 2003, replacing the Sales Tax initially governed by the Sales and Excise Tax Proclamation No. 68/193 and its subsequent amendments.

Presently, VAT in Ethiopia is administered by the Value Added Tax Proclamation No. 285/2002 and its subsequent amendments read together with the VAT Regulations No. 79/2002. VAT is collected by the Ethiopian Ministry of Revenues, which is in charge of the administration of customs and domestic taxes.

## Scope of VAT and rates applicable

Goods and services, where services have been defined as work done for others which does not result in the transfer of goods, are collectively termed as supplies.

Transactions are either taxable or exempt. The major difference between taxable supplies and exempt supplies is that, where the supplies are taxable, the registered person is obliged to charge VAT but is also eligible to recover VAT incurred on such supplies as input tax. Whereas VAT incurred on making exempt supplies is not recoverable as input tax.

VAT in Ethiopia is chargeable on:

- a taxable supply of goods or services made by a registered person in Ethiopia
- the importation of taxable goods
- the importation of taxable services.

There are two VAT rates applicable in Ethiopia:

- zero rate (0%)
- standard rate (15%).

Certain goods are exempt.

## Registration threshold

A person who, at the end or beginning of any period of 12 calendar months, makes or expects to make taxable transactions whose total value exceeds Ethiopian birr (ETB) 1,000,000 (approximately USD19,623) is liable for VAT registration.





## Contact details

Physical address	366 Rue Alfred Marche / Rue du Colonel Parant
Postal address	BP 2164, Libreville/BP 584, Port-Gentil
Tel	
Libreville	+241 1176 23 71
Port-Gentil	+241 11 55 33 24

## PwC contact

Inès Vaz	ines.vaz@pwc.com
Hamed Yambounze Guimony	hamed.yambounze.guimony@pwc.com

## Introduction

VAT was introduced in Gabon by the Financial Law for the fiscal year 1995 (Law No. 1/95, dated 24 February 1995). The provisions of the Gabonese Tax Code relating to VAT have been amended since then by various Finance Acts that came into force in the course of subsequent fiscal years.

VAT in Gabon is administered by the tax authorities ('Direction Générale des Impôts').

## Rates and scope

Three VAT rates apply in the Gabonese Republic, namely:

- standard rate of 18%, applicable to all transactions unless otherwise provided for
- reduced rate of 10%, applicable to the production, manufacturing and selling of the following products:
  - Cement
  - Fishing equipment
  - Outboard motors
  - Automotive spare parts
  - Automotive axles
  - Construction tiles
  - Nails
  - Impermeables

- Imported meat and poultry
- Imported table oils
- Sugar
- Imported arachid.
- Reduced rate of 5%, applicable to production and sales operations of the following products:
  - mineral water produced in Gabon
  - Lessive
  - Concrete iron
  - Office computers and laptops
  - Canned pulses and green vegetables
  - Canned fruit
  - Supply of water and electricity on consumption of social and conventional metres.
- Zero rate, applicable to exports, international transport, operations relating to refuelling as well as operations relating to maintenance and reparation carried out on aircrafts and vessels used for international traffic. The zero rate applies only to exports for which declarations have been issued by the customs authorities.

VAT is a broadly-based tax on consumer expenditure. It is mostly removed from business costs, thereby confining it 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 the provision of services carried out in the Gabonese territory by a person subject to tax (a chargeable person), except for 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 turnover of at least (in Central African CFA Franc) XAF60m (USD100,349)
- forestry exploiters with a turnover of at least XAF 500m (USD836,245)
- Taxpayers whose turnover falls below the above thresholds will remain subject to VAT for a period of two years. After, their liability would be subject to an option on their part.

### Voluntary registration

Registration is optional for new taxpayers capable of a turnover equal to above mentioned thresholds for the first year of activity.

### Non-residents

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

Foreign companies with no permanent establishment in Gabon who permanently or occasionally perform operations falling within the VAT scope are liable for VAT whatever the amount of the operations is.

As a consequence, for foreign VAT-able persons, the VAT must be paid by the client on behalf of such persons without a permanent establishment in Gabon.

### Application for registration

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

The taxpayer must request the NIF at the tax administration for 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 on which the taxpayer satisfies the liability conditions or upon meeting these conditions once the activities have already been carried out.

## Deregistration

The transfer or discontinuance of business in its entirety 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 on which 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
- in case of discontinuance of business, following the day on which it was finally closed down.

## 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 :

- $18\% \times \text{price (all taxes included except the special solidarity contribution [SSC] and the VAT itself)} = \text{VAT}$ .

The taxable amount consists of all the sums, values or services received in compensation for the operation, including subsidies and all expenses, taxes and deductions of any nature other than the SSC and 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
  - peanuts
  - coffee
  - cocoa
  - pork meat
  - beef meat
  - sheep meat
  - all other meat for consumption
  - chicken
  - duck and other poultry
  - fresh fish
  - frozen fish
  - plantain banana
  - sweet banana
  - yam
  - tarot
  - potatoes
  - various fruits and vegetables.

- The following operations, when they are subject to specific taxes exclusive of any tax on turnover:
    - Operations performed by insurance companies in the context of their activity linked to insurance and reinsurance contracts, as well as services rendered by insurance middlemen.
    - Interest on external loans.
    - Interest remunerating deposits with credit or financial establishments by non-professionals.
    - Operations for the transmission of real estate and intangible movable goods liable to registration duties.
    - Operations relating to civil leases of undeveloped land and bare premises.
  - Operations related to international traffic concerning:
    - The handling operations on board of products intended for export
    - Ships or boats used for industrial or commercial activities on the high seas
    - Rescue and assistance vessels
    - The maintenance of aircraft and ships and bunkering operations
    - Interstate transit operations and related services, in accordance with the provisions of Article 158 and following the Customs Tariff of the Central African Economic and Monetary Community.
  - Printing, import and sale of school books, newspapers and reviews, except for profits from advertising
  - Scholarship fees collected in the normal course of activities by authorised schools or universities
  - Operations to which fiscal stamps apply
  - Sums paid by the state to the Central Bank
  - Welfare, educational, competitive, cultural, religious or philanthropic supplies made by non-profit institutions to their members, unless they operate in a competitive sector
  - Benefits related to the legal practice of the medical profession with the exception of accommodation and food expenses in a clinic or hospital or medical care facility
  - First-necessity products:
    - Liquid milk
    - Powdered milk
    - Concentrated milk
    - Unconcentrated milk
    - Sweetened milk
    - Unsweetened milk
    - Margarine
    - Butter
    - Yogurt
  - Notebooks and textbooks
  - Bread
  - Flour
  - Yeast
  - Gluten
  - Eggs
  - Rice
  - Medicine
  - Pharmaceutical products
  - Canned sardines
  - Canned tomatoes
  - Canned mackerel
  - Food paste
  - Local table oils
  - Salt
  - Importation of goods exempted under the provisions of Article 241 of the Customs Code and Tariff of the Central African Economic and Monetary Community, supplemented by Act 2/92-UDEAC.556.SEI
  - Sales of used goods made by persons who have used them for the needs of their operation
  - Sales of butane gas
  - The services rendered by economic interest groups made up of natural or legal persons carrying out an activity that is exempt from VAT or for which they are not taxable persons, are exempt from the tax on condition that they contribute directly or exclusively to the realisation of these exempted operations or operations excluded from the scope of application of the VAT and that the sums claimed from the members correspond exactly to their share in the common expenses.
- Loans on real properties to the amount of less than XAF 50m (USD 83,624.5), granted to individuals for the acquisition and construction of a residence in Gabon.

## Input tax

### Input tax allowed

Input tax incurred to perform taxable operations is deductible from output tax 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 legally authorised suppliers (having a NIF for local suppliers)
- documents of importation
- a declaration completed by the debtor in the event of self-supply.

## Specific exclusions of input tax deduction

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
- importation of goods that are re-exported without any modification
- petroleum products, except for those used by a fixed device as combustible or as a manufacturing element in industrial companies
- goods given for free or at a price less than their value, except those whose value does not exceed XAF10,000 (USD 16.12)
- goods and services purchased by the taxpayer but used by third parties or by its managers or employees
- services related to goods excluded from the right to deduction
- services available in the national territory, executed by foreign suppliers.
- vehicles used (mainly or partially) for the transport of passengers, that constitute fixed assets, along with their rental, spare parts or related services except in the following cases:
  - vehicles used for both the transport of passengers and products
  - vehicles with more than ten seats exclusively used for the transport of personnel
  - fixed assets of car rental companies
  - fixed assets of public transport companies
  - travel expenses of tourism staff for their customers
  - vehicle stock of car dealerships and test or demonstration vehicles.

## 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 applying a deduction prorate. This fraction is the relationship between:

- as numerator — turnover related to operations subject to VAT
- as denominator — total turnover performed by the taxable person.

### Prorate calculated

### Deduction rate to apply

More than 90%	100%
From 70% to 90% (included)	80%
From 50% to 70% (included)	60%
From 30% to 50% (included)	40%
From 10% to 30% (included)	20%
From 0% to 10% (included)	0%

## Adjustments

As far as an element of a fixed asset is concerned, the input tax 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 imported goods are re-forwarded does not as such result in a right to deduction.

VAT on imports is paid to the customs authorities. It 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 in Gabon who have no permanent establishment 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 the next month, except if the services provided by the foreign supplier are available in the Gabonese territory, in which case it will not be deductible.



## Exports

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

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

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

There are no specific provisions in relation to refunds to foreigners.

## 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 the 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 upon the delivery of the goods. In the case of services, the tax point occurs either upon the paying of the price or, if the supplier has opted for this, at the moment of invoicing. This choice 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 they have a tax debit or a tax credit and declare their monthly taxable operations on a CA01 return to be submitted to the tax administration. Should no operation take place during a month, a nil VAT return must nonetheless be submitted.

The VAT filing and payment obligation remains until the company obtains a tax clearance after it has initiated the deregistration process.

### Interest and penalties

The late submission of the monthly declaration is subject to late-payment interest of 5% before the receipt of a formal notice to declare and 10% if the declaration is submitted within the seven days following the receipt of a formal notice to declare.

If the late declaration does not indicate any VAT due, the penalty is XAF100,000 (USD161.20) before the receipt of a formal notice to declare and XAF200,000 (USD322,40) per month of delay if the declaration is submitted after the receipt of a formal notice to declare, with a ceiling of XAF2m (USD3,224.05).

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

Any omission noted by the tax authority in the monthly declaration and noticed to the taxpayer is subject to a penalty of 1.5% per month of delay, up to 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 increased by 50% if bad faith is established.

Failure to submit a VAT declaration will result in automatic taxation and the loss of the right to deduct the VAT as well as the loss of any existing tax credit relating to previous periods.

The fact that 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 allowed in specific cases provided for by the VAT legislation.

### Objections and appeals

Any taxpayer who is dissatisfied with the VAT imposed on them may present a written query in the form of an introductory request addressed to the tax administration. The procedure is 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 corrected by the tax administration until the expiry of the fourth year following the year during which the tax became due.

Omitted former deductions can be claimed until the 12th month following the month in which the deduction right occurred.



## VAT records

### Tax invoices

Any invoice issued in Gabon or sent to Gabonese clients must be written in French, 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
- the unit price, excluding VAT and discounts
- the vat numbers (NIF) of the beneficiary and the supplier (if any)
- the applicable VAT rate.

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

The absence of indication of the NIF of the two parts of an operation on an invoice leads to the non-deduction of the VAT mentioned on this invoice.

### Additional export documentation

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

### Record-keeping

An entity's accounting books as well as its supporting documents, its purchase invoices in particular, must be kept for a period of ten years after the year during which the operations were noted in the entries.

## Specific VAT rules

### Petroleum activities

While petroleum activities (prospecting and production) were initially considered to fall outside the scope of VAT, they are now governed by regimes which derive from the provisions of production sharing contracts (PSCs) or concession agreements.

As for contracts signed after the entry into force of the law regulating the hydrocarbons sector in Gabon, the VAT regime provided for under that law will apply.

In accordance with the law, all goods acquired by exploration and production companies from foreign suppliers which are intended for hydrocarbon activities are exempt from VAT on importation.

Acquisitions by E&P companies of goods or services provided locally are subject to the payment of VAT. However, acquisitions and services provided by oil suppliers or subcontractors who are mentioned in the list established by the Gabonese administration are subject to VAT at 0%. VAT paid by E&P companies may be refunded.

### Bad debts

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

'Invoice remains 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

The transfer of real goods and intangible movable property subject to registration rights is not subject to VAT.

Please note that the Finance Act for fiscal year 2016 provides new provisions relating to VAT on property.

VAT on property is charged in relation to operations involving the production or delivery of buildings performed by taxpayers as part of their business activities (i.e. the sale of building plots, deliveries of new buildings, and deliveries to oneself of certain buildings).

The applicable rate of VAT on property is the standard rate of 18%.

The tax is due by the contractor of the building from the delivery date of the said buildings.

The deeds relating to the sale of the buildings must be registered, giving rise to the payment of registration duties.

### Leasing

Leasing is subject to VAT at the standard rate.

### Promotional gifts

As there are no specific provisions for promotional gifts, the deduction of input tax should be possible.

### Secondhand goods

VAT does not apply to sales of second-hand goods made by persons who have used the goods for the purpose of exploiting them. Therefore, such 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 and personalised furniture specifically destined for the tourism industry.



## Transfer of a business

As far as an element of fixed assets is concerned, the input tax 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 Central African Economic and Monetary Community (CEMAC) region, which means that consideration must be given to the CEMAC regulations. There is a common customs regime, as well as specific customs regimes.

A common CEMAC customs regulation stipulates 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
- a 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 have been 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
- the reduced-rate regime of 5% may be granted for materials, products, equipment, machines and tools which do not fall into the above-mentioned categories and are necessary for petroleum production.

### Excise duty

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

Products	Ad valorem rate	Specific tax
Local beers	22%	XAF20 (USD 0.03) per litre
Imported beers	25%	XAF180 (USD 0.29) per litre
Local wine	22%	XAF100 (USD 0.16) per litre
Imported wine for which the purchase price does not exceed XAF 50 000	25%	XAF500 (USD 0.80) per litre
Imported wine for which the purchase price is greater than XAF 50 000	40%	XAF3,000 (USD 4.84) per litre
Champagne for which the purchase price does not exceed XAF 50 000	25%	XAF 500 (USD 0.80) per litre
Champagne for which the purchase price is greater than XAF 50 000	40%	XAF3000 (USD 4.84) per litre
Other local drinks with a volumetric degree of alcohol exceeding 12%	25%	XAF500 (USD 0.80) per litre
Other imported drinks with a volumetric degree of alcohol exceeding 12%	30%	XAF500 (USD 0.80) per litre
Sugary drinks and other drinks with a volumetric degree of alcohol less than 12%	5%	
Cigarettes, cigars, cigarillos, tobacco, heated tobacco, electronic cigarettes, shisha or hookah, and nicotine sachets	32%	XAF300 (USD 0.48) per packet
Hazard games	5%	XAF100,000 (USD 161.20) per device operated
Perfumeries and cosmetics	25%	
Caviar, foie gras	40%	
Salmon	30%	

### Registration duties

These are proportional rights which range from 1% up to 8%, 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, Akanda, Owendoor Port-Gentil).
- The transfer of a leasing right is subject to a registration right of 4%.

### Stamp duty

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



# The Gambia



## Contact details

**Physical address** PwC Tower, A4 Rangoon Lane, Cantonments City

**Postal address** PMB CT 42, Cantonments, Accra, Ghana

**Tel** +233 302 761500 / +233 302 761544

## PwC contact

Abeku Gyan-Quansah abeku.gyan-quansah@pwc.com

Alexander Fiifi- Yankson alexander.f.yankson@pwc.com

Asiedu Boadu asiedu.boadu@pwc.com

**Website** www.pwc.com/gh

## Introduction

The principal tax law that imposes value added taxes (VAT) in The Gambia is the Income and Value Added Tax Act, 2012. It came into force in January 2013.

## Rates and scope

VAT is imposed on taxable supply of goods, services and imports. Generally, taxable supplies are supplies other than exempt supplies, made in The Gambia by a VAT-registered person. It also includes import of non-exempt supplies of goods and services by VAT-registered persons. The standard VAT rate in the Gambia is 15% and it applies on all supplies that are not exempt or zero-rated. Zero-rated supplies, as the name suggests, attract VAT at 0%.

## VAT registration

### Compulsory registration

A person is required to register for VAT if the total value of qualifying supplies of goods or services made by the person in any 12-month period or shorter, exceeds or is expected to exceed GMD2 million (approximately USD33,000). In determining the value of supplies, the Commissioner-General (C-G) may consider, among other things, the supply of imported services made or to be made to that person.

Auctioneers and promoters or public entertainers are required to register for VAT even where they do not meet the turnover threshold mentioned above.

### Voluntary registration

A person who does not meet the requirement for compulsory registration is permitted to register for VAT within six months of the end of a 12-month or shorter period in which the total value of supplies made exceeds GMD1 million (approximately USD16,000).

### Application for registration

A person who is required to register for VAT must apply to the C-G within 21 days of becoming so required. The information required for the registration will typically include:

- name of the business
- postal and physical address
- nature of business activity
- value of supplies made.

Generally, the registration takes effect from the first tax period after the person is required to submit an application for registration.

The VAT registration certificate number is usually a five-digit number.

### Deregistration

A VAT-registered person who has ceased to make taxable supplies must apply to the C-G within 30 days of the cessation to be deregistered. Likewise, a VAT registered person may apply to be deregistered if the person has been registered for at least 24 months, but the person's taxable supplies for the preceding 12 months are less than GMD500,000.

The C-G may also cancel a person's VAT registration on the grounds that the person does not comply with the obligation or requirements under the relevant tax laws.

## Output tax

### Calculation of output tax

Output VAT is calculated by applying the rate of the tax to the taxable value.

### Exempt supplies

Exempt supplies for which no credit is allowed include, but are not limited to:

- basic foods
- educational services
- prescription drugs
- medical, dental, veterinary and optical services
- agriculture and aquaculture inputs
- unprocessed agricultural and aquaculture products supplied by the producer
- life and health insurance
- financial services not rendered for a fee or commission
- domestic passenger transportation and ferry services, excluding transportation related to tourism and transportation by air or water
- residential properties
- electricity and water supplied for domestic consumption that does not exceed 1,000kWh and 250 cubic metres respectively.

### Zero-rated supplies

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

- goods and services supplied for consumption outside The Gambia, subject to other specific conditions
- immovable property that relates to land situated outside the Gambia
- first supply by the refiner of gold (in an investment form) of at least 99.5% fineness.

## Input tax

### Input tax allowed

A VAT-registered person is allowed an input tax deduction in respect of a taxable supply of goods or services or taxable import of goods to the extent that the goods or services are used in the person's economic activity. The input tax allowed cannot be claimed until the person has the VAT invoice or the appropriate import documents, whichever applies.

## Non-deductible input tax

Input tax deductions are not allowed on the following:

- acquisition of goods or services, to the extent used to provide entertainment. This does not apply where the entertainment is provided in the ordinary course of business of a person whose economic activity involves providing entertainment.
- acquisition of membership or right of entry for any person in a club, association or society of a sporting, social or recreational nature.
- acquisition or lease of a passenger vehicle, unless the person's economic activity involves supplying passenger vehicles.
- import of fuel by or for supply to dealers of fuel.

### Partial exemption

As indicated above, input tax is allowed only to the extent to which the underlying supply is used in making taxable supplies. Where only a portion of the underlying supplies is used in making taxable supplies, the input tax allowed on the underlying supplies will be apportioned in a ratio of taxable supplies to total supplies made by the person during the tax period. The input tax so allowed is subject to further adjustment at the end of the relevant accounting year.

### Preregistration and post-deregistration VAT

A person whose registration is cancelled is treated as having made a taxable supply of any goods or other property on hand at the time of the cancellation to the extent that the person was allowed input tax deduction on those goods and properties.

The supply is deemed to be made at fair market value at the time of the cancellation.

Additionally, VAT obligations and liabilities accrued prior to the cancellation of a person's registration still hold after the cancellation.

## International trade

### Imports

The importation of goods, other than exempt goods, is subject to VAT, and the importer of the goods is required to account for the VAT. Similarly, the importation of services, other than exempt services, is subject to VAT and the recipient of the service is required to account for the VAT. VAT payable in respect of imported services is allowed for input VAT deduction insofar as the VAT payable has been accounted for.

## Exports

As indicated above, exports of taxable goods and services attract VAT at 0%.

## Place, time and value of supply

### Place of supply

Supplies made in the Gambia and which are subject to VAT include, but are not limited to, the following:

- supply made by a resident person in the Gambia
- supply made by a non-resident person, in the course of an economic activity at or through a permanent establishment in the Gambia.
- supply of immovable property by a non-resident person and the land to which the immovable property relates is in the Gambia.
- supply of goods by a non-resident person where the goods are installed or assembled in the Gambia by or under contract with the supplier or the goods are delivered or made available in the Gambia
- supply of services provided by a non-resident person to a non-VAT-registered recipient where:
  - the services are physically performed in the Gambia
  - the services directly relate to land located in the Gambia
  - radio or television broadcasting services received at an address in the Gambia
  - electronic services delivered to a resident person or a person located in the Gambia at the time of the supply
  - insurance services, other than life or health insurance, in respect of goods or property located in the Gambia
  - telecommunication services that are initiated by a person who is in the Gambia, other than a telecommunication supplier.

Generally, supplies that do not meet the conditions above are considered as supplied outside the Gambia.

### Time of supply

Generally, the time of supply of goods or services in the Gambia for VAT purposes is the earlier of the following instances:

- the date on which an invoice for the supply is issued
- the date on which the payment (including part payment) for the supply is made
- the date on which the goods are delivered, or the services are performed.

With respect to the import of goods, the time of supply is generally the date on which the goods are entered for home consumption under the customs laws of the Gambia.

### Value of supply

The value of a supply of goods or services is the consideration for the supply, including zero where the supply was made at no consideration. However, where the supply is made to an associate, the value of the supply will be the higher of the fair market value and the consideration.

## VAT compliance

### Tax period

Tax period means one calendar month.

### Returns and payment of VAT

VAT returns for a tax period must be filed within 15 days after the end of the tax period, whether or not tax is payable for that period. Payments are due by the same deadline for filing VAT returns.

Electronic filing is currently not widely available.

### Interest and penalties

Late payment of VAT attracts simple interest at a rate of 5% plus the rediscount rate of the Central Bank of the Gambia and for as long as the tax remains unpaid. Additionally, failure to pay VAT by the due date attracts a penalty of 5% of the VAT unpaid per month (or part of the month) during which the failure continues, up to a maximum of 25% of the unpaid VAT.

Failure to file VAT returns attracts a penalty of 5% of the VAT due under the return per month (or part of the month) during which the failure continues, up to a maximum of 25% of the VAT payable under the return.

Failure to register for VAT, as required, will attract a penalty of twice the VAT payable from the date the registration was required to the date the person is registered or applies to be registered.

### Refunds

Excess VAT paid is carried forward as credit, on a first-in-first-out basis, against the subsequent tax period's VAT. Refunds are allowed where the credit is not utilised within the third tax period. Refund is also allowed where more than 50% of the taxable supplies of the person in the 12 months preceding the tax period were zero-rated.

## Objections and appeals

Taxpayers may object to tax decisions by the Gambia Revenue Authority (GRA) within 30 days of receiving notice of the decision. The timeline for filing a tax objection may be extended by the C-G of the GRA upon a written application by the taxpayer.

A taxpayer who is dissatisfied with an objection decision by the GRA may apply to the tax tribunal for a review of the objection decision.

Further, a taxpayer who is dissatisfied with the decision of the tax tribunal may appeal the decision at the Court of Appeal.

## VAT records

### Tax invoices

VAT-registered persons are required to provide recipients of their supplies with VAT invoices at the time of the supply and the invoices must contain the following details:

- the words 'VAT invoice' in a prominent place
- the name, address, and taxpayer identification number of the supplier and recipient
- the individualised serial number and date on which the VAT invoice is issued
- a description of the supply, including quantity or volume where applicable, and the date on which the supply was made
- the consideration for the supply and the amount of VAT charged.

VAT-registered persons who supply goods and services at retail may issue a sales receipt instead of a VAT invoice, except where the recipient of the supply specifically requests a VAT invoice. Note that such sales receipts do not provide a basis for claiming input tax deduction.

## Credit notes and debit notes

A debit note is issued where the VAT properly chargeable in respect of a supply exceeds the VAT accounted for by the supplier, whereas a credit note is issued where the VAT accounted for by the supplier exceeds the VAT properly chargeable in respect of the supply. The excesses must have been caused by the following:

- the supply was cancelled
- the nature of the supply was fundamentally altered or varied
- the consideration for the supply was altered
- the supply was returned to the supplier.

Both credit notes and debit notes must be prominently denoted as such and must, among other things, bear a description of the circumstances giving rise to their issuance, consideration shown on the VAT invoice, the correct amount of the consideration and the difference between the two amounts and the amount of the VAT that relates to the two amounts.

## Record-keeping

Records, accounts and documents must be maintained for six years after the end of the tax period to which they relate.

## Specific VAT rules

### Telecommunication services

The following are some VAT rules specific to the provision of telecommunication services:

- Where a telecommunication provider supplies a phone card to a telecommunication intermediary at a discount from the intended retail price, the consideration for the supply is calculated as if the intermediary had paid the intended retail price.
- Where a telecommunications intermediary buys and on-sells a phone card, the acquisition is treated as if it were not an acquisition and the supply is treated as if it were not a supply.

### Gambling supplies

The amount of VAT imposed on gambling supplies is computed on a global basis, rather than an individual gambling supply basis, by applying the tax fraction to the difference between the total amounts wagered and the total winning paid out.

Tax fraction in this case is the applicable VAT rate divided by the sum of 100 and the applicable VAT rate. Where a lottery, raffle or similar ticket is sold to an intermediary, the consideration is the intended retail price, whether or not there was a discount, and the acquisition and resale of the ticket by the intermediary are treated as if they were not an acquisition and supply respectively.



## Lay-by sales

Lay-by sales largely relate to supplies that are paid for in instalments. For such sales, the VAT is due as and when payment is due under the agreement and the VAT amount is computed as the tax fraction of the payments made.

## Secondhand goods

Dealers in secondhand goods who are registered for VAT may, under certain circumstances, be allowed input tax deduction in respect of secondhand goods purchased by the dealer.

## Sale of an economic activity as a going concern

Sale of an economic activity as a going concern by a VAT-registered person to another VAT-registered person is treated as if it were not a supply.

## Other indirect taxes

### Import duty

Import duty ranges from 0% to 35% as specified under the ECOWAS Common External Tariffs.

### Excise tax

The specific excise tax and environmental tax on cigarettes, cigars and other tobacco products have been increased.

### Ad-valorem tax on used tyres

Companies who are in the business of selling used tyres are now required to charge an ad-valorem tax of 5% on the used tyres.

### Environmental tax on second hand goods

A 5% environmental tax has been introduced on second-hand goods/materials which previously did not attract environmental tax.

### AfCFTA Considerations

The Gambia has ratified the African Continental Free Trade Area (AfCFTA) agreement and completed work on the country's tariff schedules for both trade in goods and trade in services.



# Ghana



## Contact details

Physical address	A4 Rangoon Lane, Cantonments City, Accra, Ghana
Postal address	PMB CT 42, Cantonments, Accra, Ghana
Tel	+233 302 761500

## PwC contact

Abeku Gyan-Quansah	abeku.gyan-quansah@pwc.com
Laura T Fiagome	laura.t.fiagome@pwc.com
Alexander Yankson	alexander.f.yankson@pwc.com
Website	www.pwc.com/gh

## Introduction

In 2013 parliament passed the Value Added Tax Act, 2013 (Act 870) (VAT Act) to repeal and replace an older VAT Act. The VAT Act became effective in January 2014. The Value Added Tax Regulations 2016 (L.I 2243) came into force on 3 August 2016.

The National Health Insurance Levy (NHIL) was also introduced on 4 November 2004 as a 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. The current National Health Insurance Act, 2012 (Act 852) was gazetted and became effective in November 2012. Prior to 1 August 2018, the NHIL was fully administered alongside VAT by the Ghana Revenue Authority. Effective 1 August 2018, the NHIL is a straight levy not subject to an input tax deduction.

The Ghana Education Trust Fund (GETFund) was introduced on 1 September 2000 under the GETFund Act 2000 (Act 581), to provide finance to supplement the provision of education at all levels by the government. Prior to 1 August 2018, a component of VAT was earmarked for the GETFund. Effective 1 August 2018, like the NHIL, the GETFund Levy (GETFL) is a straight levy not subject to an input tax deduction.

Effective 1 May 2021, a 1% COVID-19 Health Recovery Levy (CHRL) was introduced to be charged on all taxable supplies. Similar to the NHIL and the GETFL, CHRL is not deductible as an input tax.

## Rates and scope

The VAT Act provides for a standard rate of 15% for VAT (effective 1 January 2023, previously 12.5%), 2.5% for NHIL, 2.5% for GETFL and 1% for CHRL. These rates apply to all supplies of goods and services that do not qualify for an exemption, zero-rating or the VAT Flat Rate Scheme (VFRS). The VFRS is now only restricted to retailers of tangible goods with an annual taxable supply value of between GH¢200,000 (about US\$17,000) and GH¢500,000 (about US\$42,000) (inclusive) and has a

rate of 3%, unless varied by the Commissioner-General (C-G). Together with 1% CHRL, suppliers under the VFRS are required to charge tax at a total rate of 4% on their taxable supplies. Taxable persons under the VFRS are not eligible to deduct input taxes.

VAT, NHIL, GETFL and CHRL (together loosely referred to as VAT) are charged on the supply of all goods and services in Ghana by a taxable person and also on the imports of goods and services into the country, except when the goods and services are specifically exempt.

## VAT registration

### Compulsory registration

A person has to register for VAT if they make or expect to make a taxable supply of goods or services that exceed:

- GH¢200,000 (about US\$17,000) over a 12-month period
- GH¢50,000 (about US\$4,200) over a three-month period and there are reasonable grounds to believe the aggregate supplies for those three months and the consecutive nine months will exceed GH¢ 200,000.

### Voluntary registration

Any business may apply voluntarily to be registered for VAT by the C-G.

### 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, where one of them controls the others in the group, or one company controls all the members of the group.

A taxable person applying 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 for VAT. 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.

Where unregistered non-resident persons providing telecommunication or electronic commerce services for use or enjoyment in Ghana other than through a VAT-registered agent make taxable supplies exceeding the registration thresholds, they are required to register and account for VAT. This can be done through GRA's online portal.

### Application for registration

Anyone who qualifies to register has to apply to the C-G of the GRA for registration as a taxable person.

Failure to register attracts a penalty of up to twice the amount of tax on taxable supplies, payable from the time the person was required to apply for registration until they file an application with the C-G.

### Deregistration

Businesses which no longer qualify for VAT registration can be deregistered but have to reregister if the qualifying threshold is met again.

## Output tax

### Calculation of output tax

Output tax is calculated by applying the rate of the tax to the taxable value. This is computed by first applying the 2.5% NHIL, 2.5% GETFL and 1% CHRL to the tax-exclusive amount, and then applying the 15% VAT on the NHIL, GETFL and CHRL inclusive amount. This gives an effective tax rate of 21.9%. Advertised prices are assumed to include VAT, NHIL, GETFL and CHRL. Therefore, when prices are charged exclusive of such taxes, VAT, NHIL, GETFL and CHRL at an effective rate of 21.9% (in total) must be added.

### Exempt supplies

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 state
- books and domestic newspapers (excluding imported textbooks, imported newspapers, architectural plans, almanacs, calendars and other printed matter)
- crude oil and hydrocarbon products
- building and construction, including the right to occupy land or buildings (construction should be civil engineering works of a public nature)
- financial services
- 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, manufacturing, 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 services
- electricity supplied to a dwelling up to lifeline units
- water, excluding bottled and similarly packaged water, and distilled water
- a stake in the National Lotto organised by the National Lottery Authority
- a wager or stake in any form of betting, including lotteries and from gaming machines
- fishing equipment
- locally produced textbooks and exercise books
- locally manufactured agricultural machinery, and other agricultural implements or tools
- agricultural inputs

- management fees charged by private equity, venture capital and mutual funds
- importation of plant and machinery designed specifically for use in the automotive industry and kits by an automobile manufacturer or assembler registered under the Ghana Automotive Manufacturing Development Programme.

## Special relief

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—reciprocal application
- emergency relief items approved by parliament
- supplies for use by a permanent member of the diplomatic service of any commonwealth or foreign country, exempted by parliament from the payment of customs duties — reciprocal application
- supplies for use by 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
- supplies to a free-zone enterprise
- supplies of locally manufactured textiles (from 2019, extended up to 31 December 2023) by a local manufacturer with approval from the Ministry of Trade and Industry
- supply of locally assembled vehicles under the Ghana Automotive Development Programme, up to 31 December 2023
- goods shipped as stores on vessels and aircraft leaving the territory of Ghana
- 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 them and used wholly, exclusively, and necessarily for business purposes, provided (inter alia) the supply is a taxable supply. The NHIL, GETFL and CHRL are not deductible as input tax.

Reverse VAT on imported services is not claimable.

## Non-deductible input tax

Input tax deductions are 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
- importation 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
- 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 are 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 attributed 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.

## Upfront payment of VAT by unregistered importers

The VAT legislation has been amended such that an unregistered person importing taxable goods into Ghana is liable to make an upfront payment of 12.5% of the customs value of the taxable goods in addition to requisite penalties. The unregistered importer may however recover the upfront payment upon registration and subsequent filing of a VAT return.

## International trade

### Imports

The importation of taxable goods other than exempt goods and services 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. This reverse VAT is not claimable.

## Exports

Exports of taxable goods attract VAT, NHIL, GETFL and CHRL at the rate of 0%. The export of services is zero-rated (a VAT rate of 0%) if all requirements are met.

## Withholding of VAT

The C-G has appointed some persons as VAT withholding agents. These agents are required to withhold from payments for standard rated VAT supplies 7% of the taxable output value for VAT purposes, i.e. the taxable value inclusive of NHIL, GETFL and CHRL, and issue a Withholding VAT Credit Certificate at the time of payment.

## 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 general place of supply of a service is the supplier's place of business or the place from which the service is supplied or rendered. For some services, the place of supply is where the recipient uses the service.

### Time of supply

The general time of supply rules are as follows:

- goods or services applied for own use — the date on which the goods or services are first applied for own use
- goods or services supplied by way of a gift — date on which ownership of 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
  - 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
- 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 and NHIL/GETFL/CHRL 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 has 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 were imported.

Payment of the imported services VAT must be made with the submission of the declaration.

The amount of VAT paid by the registered person who makes standard rated VAT supplies can be claimed as an input tax deduction. However, reverse VAT and VAT on some items cannot be claimed as deductible input tax.

The GRA is encouraging electronic filing of VAT returns, although manual VAT return filing is still acceptable.

### Returns and payment of withheld VAT

Withholding VAT returns must be submitted no later than the 15th day of the month immediately following the month to which the return relates.

Payments must be made by the due date for filing.

### Electronic invoicing

Effective October 2022, taxpayers are required to issue electronic tax invoices or sales receipts from the Certified Invoicing System (CIS). The CIS is to be integrated with both the taxpayers' internal invoicing system and that of the GRA.

The initial transition period of one year for moving from manual VAT invoicing to the electronic invoicing system was scrapped for immediate compliance from January 2023. Failure to comply is a penalty being the higher of GH¢50,000 and three times the amount of tax involved.

The onboarding of taxpayers is currently ongoing in stages.

## Interest and penalties

The following pecuniary penalties/ interest are charged:

- late submission of a return — penalty of GH¢500
- for each additional day the return is not submitted — penalty of GH¢10
- late payment — interest of 125% of Bank of Ghana monetary policy rate compounded monthly and applied on the tax due
- failure to register — double the tax payable had the taxpayer registered when required
- making a claim for a refund which you are not entitled to — twice the original refund request, plus interest
- general penalty — up to three times the amount of tax involved.

The VAT Act does not provide an 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 has been 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 C-G of the GRA within 30 days after notice of the decision has been served on the taxpayer or upon the taxpayer's becoming aware of the decision.

A person dissatisfied with the decision of the C-G may lodge an appeal with the Independent Tax Appeals Board (ITAB) within 30 days after being notified of the decision of the C-G. The board is intended to enhance the transparency and fairness of the tax objection and adjudication process as well as reduce litigation pressures on the tax courts. Any party that is not satisfied with the decision of the ITAB may lodge an appeal with any court with jurisdiction to hear and determine tax disputes. Thus taxpayers' disputes can be sent to ITAB for resolution.

## 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 on which the deduction accrued. The claim is forfeited on the expiration of a period of six months.

Refund claims for overpaid VAT must be submitted within six months after the date on which the excess arose.

## VAT records

### Tax invoices

Invoices must be pre-printed as authorised by the C-G of the GRA. Invoices that are not pre-printed must be approved by the Commissioner-General of the GRA before they are used. 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
- 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

VAT invoices issued through the CIS will have the following additional features in order to be certified.

- the signature (16 figures separated by dashes)
- the scannable QR code
- the time stamp
- other SDC information.

Except with the approval of the Bank of Ghana, invoicing in foreign currency by one resident person to another resident person is not allowed.

### 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. Their issuance should be based on a fact that:

- the supply has been 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
- the goods or services, or part thereof, if they have been returned to the supplier.

## Additional export documentation

Proof of export documentation is required in substantiating to the C-G that the taxpayer should apply 0%.

## Record-keeping

Records must be kept within Ghana for up to six years, unless the C-G's approval is obtained to keep the records for a shorter period. Records may be kept in electronic form with permission from the C-G.

## Specific VAT rules

### Bad debts

A taxable person may recover input VAT 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 C-G of the GRA. However, a debt previously written off as a bad debt for which credit has been given that is later recovered is subject to VAT on the amount recovered.

### Land and buildings

Sale of land and buildings is typically exempt from VAT under certain conditions.

### 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 C-G 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 35% as specified under the ECOWAS Common External Tariff and Other Schedules.

### Excise duty

Excise duty is limited in scope and is charged on some imported and locally manufactured products such as tobacco products, plastic products, alcoholic beverages and non-alcoholic beverages. Excise duty typically ranges from 0% to 175% of the ex-factory price or CIF (cost, insurance and freight) values. Specific excise duty rates also apply on tobacco products.

An environmental excise tax of 10% applies to specified locally manufactured and imported plastic and plastic products.

### Excise tax stamps

Excise tax stamps are to be affixed to specific excisable goods which are manufactured in or imported into the country. They apply to tobacco products, alcoholic and non-alcoholic carbonated beverages, bottled water, textiles and other goods specified by the minister responsible for finance, before sale or entry into the market.

### Electronic transactions levy

The electronic transaction levy (e-levy) at the rate of 1% is applicable on qualifying electronic transfers conducted by electronic money issuers, payment service providers, banks and specialised deposit-taking institutions above specified daily thresholds.

### Communications service tax

The Communications Service Tax (CST) at the rate of 5% is levied on charges for the use of communications services that are provided by electronic communications service providers other than private electronic communication services.

### Special petroleum tax

Persons licensed to operate as oil marketing companies are required to charge a special petroleum tax at specific rates per litre or kilogramme on petroleum products such as petrol, diesel, kerosene, liquefied petroleum gas and natural petroleum gas.

### Sanitation and pollution levy

A sanitation and pollution levy of GH¢0.10 per litre of petrol and diesel is in force, together with other levies/charges, under Ghana's Energy Sector Levies Act (ESLA).

## Airport tax

Airport tax is levied on local and foreign travels. The tax is GH¢5 for local travels and US\$60–US\$200 for foreign travels.

## Other taxes/levies administered by Customs

### ECOWAS levy

An Economic Community of West African States (ECOWAS) levy of 0.5% is imposed on imports of goods from non-ECOWAS member states into ECOWAS member states.

### African Union import levy

An African Union (AU) import levy of 0.2% applies on eligible imports of goods from non-AU member states into AU member states for consumption within the member state.

### Special import levy

A special import levy of 2% applies on certain imported goods. This levy is expected to expire by December 2024.

### Ghana Export-Import Levy

A 0.75% export and import (EXIM) levy applies on all imports of goods into Ghana. Proceeds from the EXIM levy are subsequently allocated to the Ghana EXIM Bank and the Ghana Export Promotion Agency.

# Guinea



## Contact details

**Postal address** PO Box 478, Conakry  
**Tel** +224 664 00 00 17

## PwC contact

Mohamed Lahlou mohamed.lahlou@pwc.com  
Paul Tchagna paul.tchagna@pwc.com  
Elsa Constans elsa.constans@pwc.com

## Introduction

The VAT system was introduced in Guinea from 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.

- transactions on intangible properties
- leasing transactions
- transportation of persons and goods, transit and handling
- water supply, electricity, gas and telephone
- transactions carried out within the framework of liberal professions, study, research and consulting works
- sales of consumption on the premises
- construction works carried out by different trades participating in construction, maintenance and repair of buildings and for real estate works and public works
- imports of goods or merchandise in Guinea, even where the importer is not itself subject to VAT.

## 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. There is no other higher or lower VAT rate that applies.

### Scope

VAT is imposed on the 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, meaning 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 free of charge services 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

## VAT registration

### Compulsory registration

Any natural person or corporate body liable to 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 (USD52,113).

### Voluntary registration

Taxpayers whose turnover is between 150 million Guinean francs/GNF (USD15,633.9) and 500 million Guinean Francs/GNF (USD52,113) are taxed under authorisation of 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

The 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
- proof of the payment of GNF100,000 (USD10.42) registration fees.

## Deregistration

A statement of assignment, termination or amendment must be subscribed with 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 based on the whole price received by the provider from the client, excluding the charged VAT itself, cash discounts, remittances, reductions or other reductions in price.

### Exempt supplies

The followings are exempt from VAT:

- sales of tax stamps for the benefit of the state and import of such goods
- 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
  - operations intended to transfer real estate or movable property subject to registration fees, excluding such operations carried out by estate agents or lessors.

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, gas used for domestic purpose
- sale of second-hand goods made by the previous owners, who used them for business purposes
- mooring and towing operations, port piloting of vessels for lading of goods for export, as well as transit operations, lading and transhipment of goods destined for export
- imports of new vehicles intended for the transport of merchandise.

## Zero-rated supplies

The zero rates shall apply to the exports of taxable goods and international transportation.

## Input tax

### Input tax allowed

VAT levied for prepayment on a taxable transaction shall be 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 to 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 its single identification number, the amount exclusive of taxes of the transaction, the relevant VAT amount and rate as well as the total amount inclusive of all taxes of the transaction
- in the case of imports, on the import documentation (such as home use entry statement)
- in the case of supplies to oneself, on a special return filed by the taxpayer himself.

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

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

## Input tax expressly denied

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

- expenses for housing, lodging, catering, receptions, shows and costs of hiring a private car or passenger transport vehicle. This exclusion does not concern expenses borne by professionals 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 enterprise and companies whose purpose is directly related to the telephone or internet services
- vehicles for carriage of people or of 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 shall be calculated from the fraction of turnover pertaining to taxable transactions, as follows:

- as the numerator, the combined transactions subjected to VAT and all exports (taxable at 0%)
- 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
- 0% if the ratio is less than 0.3.

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

## Adjustments

A taxpayer shall be liable 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 part shall be equal to the amount of deduction, less one-fifth for each year or part thereof from its time of acquisition.

## Preregistration or post-deregistration VAT

Taxpayers are not allowed to make any deduction of VAT before the 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 zero rate and entail a right to a tax credit where VAT on such products was prepaid.

### Services

Transactions carried out in Guinea and not listed among the exemptions shall be liable to 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 supply

### Place of supply

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

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

### Time of supply

The tax shall be 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
- for other business, the receipt of payment.

### Value of supply

The basis of assessment of VAT on supplies of goods and provision of services within the national territory shall be as follows:

- for construction work performed: the value of the contracts or bills
- for the supply of goods: all sums or valuables, all profits, goods or services received or receivable in return for supply of the goods (excluding the charged VAT itself, cash discounts, remittances, reductions, 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
- 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 (West African Accounting System) 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 Unique — DMU (unique 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 tax.

### VAT advance payment (deduction)

Public bodies, mixed companies, mine and oil & gas operators and telephonic companies must deduct 50% of VAT payable to their suppliers and remit the related amount to the tax administration during the filing of their unique declaration (before the 15th of each month).

## Interest and penalties

### Late payment

In case of late payment, a 2% interest on arrears per month is due, calculated based on the amount which the payment was deferred. 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 interests 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 GNF100,000 (approx. USD 10.42).

The supplement is increased to 50% when the tax return is not filed within 10 days following receipt of a notice to file the return.

### Inadequacies or inaccuracies

Inadequacies or inaccuracies affecting the tax base or data give rise to the interests on arrears mentioned above if good faith is found, plus an increase of 50% where the lack of good faith is found. The supplement is increased to 100% in cases 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 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 the taxpayers for taxes and duties assessed by virtue of the General Tax Code are barred 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 to VAT are required to issue an invoice showing the VAT ID number of the taxpayer, the amount exclusive of taxes of the transaction, the relevant VAT amount and rate, as well as the total amount inclusive of all taxes of 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

Credit notes and debit notes are not ruled under the tax legislation but 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
- 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 the 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 emanating from 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 provisions of services.

Input VAT on assets is refundable over the course of each trimester of the calendar year.

### Leasing

Leasing is a taxable transaction, and interests paid in the frame of the leasing are subject to VAT.

### Promotional gifts

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

### Secondhand 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, 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, 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. The tax is equal to 15% of the net selling price.

Imports of cigarettes and tobacco are subject to excise duty of 30% of the CIF (cost, insurance, and freight) value.



## Contact details

Physical address	PwC Tower, Waiyaki Way/Chiromo Road, Westlands, Nairobi, Kenya
Postal address	Box 43963 00100 Nairobi
Tel	+254 20 285 5000

## PwC contact

Job Kabochi	job.kabochi@pwc.com
Gideon Rotich	gideon.rotich@pwc.com
Maurice Mwaniki	maurice.mwaniki@pwc.com
Website	www.pwc.com/ke/en

## 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, Chapter 476 of the Laws of Kenya read together with the Regulations, initially published in 1994, stemming from the Act. The VAT Act, Cap. 476 was repealed, and a new VAT Act came into effect on 2 September 2013.

Presently VAT in Kenya is governed by the VAT Act, No. 35 of 2013 and the VAT Regulations, 2017. The Kenya Revenue Authority (KRA), which was established under an Act of Parliament in 1995, is mandated to administer and enforce the VAT legislation.

## Scope of VAT and applicable rates

Supplies are either taxable or exempt. The major difference between taxable supplies and exempt supplies is that where the supplies are taxable, the person is required to register for VAT and is obliged to charge VAT, but is also entitled to recover VAT incurred in making such supplies as input tax whereas VAT incurred on making exempt supplies is not recoverable as input tax.

VAT in Kenya is chargeable on:

- taxable supplies of goods or services made by a registered person in Kenya; and
- the importation of taxable goods and services.

There are three VAT rates applicable in Kenya:

1. zero rate (0%)
2. special rate of 8% applicable to the supply of petroleum products (effective 2 September 2018)
3. standard rate of 16%.<sup>1</sup>

Some of the supplies that fall outside the scope of the VAT system *inter alia* include:

- supply of goods in customs bonded warehouses in Kenya
- employment services rendered by an employee to an employer in consideration for a wage or salary
- disbursements to a third party of incidental costs incurred in the course of making a supply.

A person who makes taxable supplies, or expects to make taxable supplies, totalling KES5m or more in any period of 12 months is required to register for VAT. The value of supply of capital assets or supplies made solely as a consequence of selling the whole or part of the business or permanently ceasing to carry on the business are excluded when determining whether the registration threshold has been attained.

A 'person' is defined in the VAT Act to mean an individual, company, partnership, association of persons, trust, estate, the government, a foreign government or a political subdivision of the government or foreign government.

<sup>1</sup> Standard rate VAT reinstated back to 16% from 14% effective 1 January 2021 as per Tax Laws (Amendment) (No. 2) Act, 2020 dated 2 December 2020. A reduced standard VAT rate of 14% applied between 1 April 2020 and 31 December 2020 as part of Kenya Covid-19 fiscal relief measures.

## VAT registration

### Compulsory VAT registration

The following persons are liable for mandatory VAT registration:

- a person who has made taxable supplies or expects to make taxable supplies, whose value is KES 5m or more in any period of 12 months, or
- a person who is about to commence making taxable supplies the value of which is reasonably expected to exceed KES 5m in any period of 12 months.

Failure to register for VAT by a person who is legally required to register will lead to retrospective compulsory registration by the Commissioner of the Kenya Revenue Authority from the date the person became liable for registration. Furthermore, the person may be liable, on conviction, to a fine not exceeding KES200,000 or imprisonment for a term not exceeding two years, or both.

### Voluntary registration

The VAT legislation provides for voluntary VAT registration where a person makes or intends to make taxable supplies. The voluntary registration is at the discretion of the Commissioner for the Kenya Revenue Authority. The legislation provides that the Commissioner shall register a person if they are satisfied that:

- the person is making or will make taxable supplies
- the person has a fixed place from which their business is being conducted
- if the person has commenced carrying on a business, the person has kept records of his business and has complied with obligations under the revenue laws
- there are reasonable grounds that the person will keep proper records and file regular and reliable tax returns.

### Group registration

The VAT Act provides that the Cabinet Secretary (CS) may, in regulations, provide for the registration of a group of companies as one registered person. However, such regulations have not been published by the CS since the commencement of the VAT Act in 2013.

### VAT compliance by non-residents

In instances where a non-resident person with no fixed place of business in Kenya is required to register for VAT, the non-resident person is required to appoint a tax representative in Kenya to meet VAT obligations including submitting of returns and payment of tax in Kenya.

The tax legislation provides that a tax representative will be registered in the name of the non-resident supplier and the Commissioner will issue a personal identification number (PIN) to the tax representative. It is worth noting that, since May 2021, non-resident entities are able to register for VAT through tax representatives.

With the above said, the VAT legislation provides for specific rules relating to the taxation of digital supplies. The VAT (Electronic, Internet and Digital Marketplace Supply) Regulations 2023, published on 15 March 2023, provide for both a simplified registration framework and registration through an appointed tax representative for non-resident suppliers making taxable supplies through the internet, an electronic platform or a digital marketplace.<sup>2</sup>

### Application for VAT registration

VAT registration in Kenya is through an online application made via the KRA's online platform known as *iTax*. Once a taxpayer makes an application for registration, they are issued with a tax registration certificate and a taxpayer's PIN. A PIN certificate is issued within a few hours of making a successful registration application.

The following documents are required for VAT registration of a company incorporated in Kenya:

- certificate of incorporation or a certificate of compliance in the case of a branch
- PIN details of at least one director of the company. In the case of non-resident directors, the PIN details of the company secretary would suffice.

A registered person is expected to display the tax registration certificate at the principal place of business and a copy of the certificate at every other place the person carries on business.

The regulations require persons making taxable supplies over the internet, an electronic platform or a digital marketplace to register within 30 days of making the taxable supplies.

<sup>2</sup> A digital marketplace is defined in the VAT Act as an online platform which enables users to sell goods or provide services to other users.

## Deregistration

If a registered person ceases to make taxable supplies, they 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 period does not exceed KES5m, and they do not expect any increase in such supplies in the next 12 months, they may also apply to the Commissioner for deregistration.

In addition, the VAT legislation provides for instances where the Commissioner may, by notice in writing, cancel the registration of a person who is no longer required to be registered if the Commissioner is satisfied that the person has not:

- kept proper tax records
- furnished regular and reliable returns, or
- complied with obligations under other revenue laws, and there are reasonable grounds to believe that the person will not keep proper records or furnish regular and reliable returns.

The cancellation of a person's registration takes effect from the date specified in the cancellation notification from KRA. Where a person's registration is cancelled, they will be required to submit a final return and pay all taxes due within 15 days after the date of cancellation of the registration.

## Post-deregistration VAT

A person whose registration is cancelled (deregistered) is deemed to have made a taxable supply of any trading stock on hand at the time the registration is cancelled. However, this deeming provision only applies if the person was allowed an input tax credit on the acquisition or import of the stock, or in respect of the acquisition or import of goods that have been subsumed into that stock.

The taxable supplies shall be deemed to have been made by the person immediately before the person's deregistration and the person shall be liable for an amount of output tax in respect of the supply equal to the amount of input tax credit allowed to the person on acquisition or import of the stock.

## Claim for relief on pre-registration VAT and change in status

The VAT legislation provides that a person may claim input tax relief in the prescribed form within three months from the date they become eligible where:

- on the date exempt supplies made by a registered person become taxable, and the person had incurred input tax on such supplies, or

- on the date they are registered, a person has incurred tax on taxable supplies that are intended for use in making taxable supplies, provided such supplies were purchased, within the period of 24 months immediately preceding registration or the exempt supplies becoming taxable.

Where the Commissioner is satisfied that the claim for relief is justified, they shall authorise the registered person to make the appropriate deduction of the relief from the tax payable on their next VAT return.

## Taxable value, place of supply and time of supply

### Taxable value

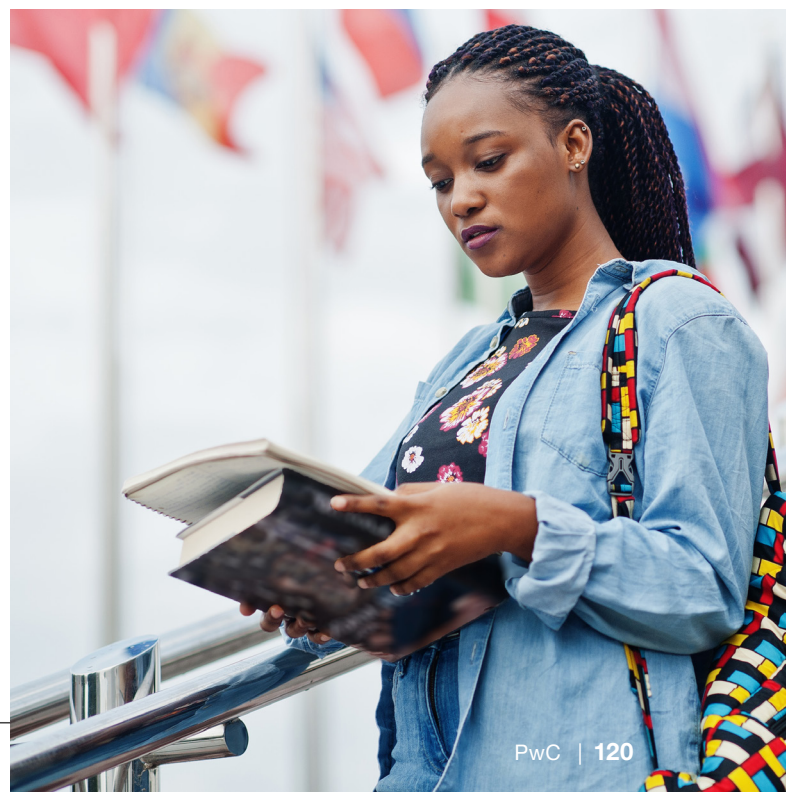
The 'taxable value' of a supply, including supply of imported services, is the consideration paid/payable for the supply. However, where the supplier and purchaser are related parties, the VAT legislation provides the taxable value of such supplies to be the 'open market value' of the supply. The VAT regulations define 'open market value' to be the consideration that a supply can reasonably fetch in an arm's length transaction at the time of supply.

The taxable value includes any incidental costs incurred by the supplier to provide the services, including any taxes, duties, levies, fees, and charges (other than value added tax) paid or payable on the supply.

### Place of supply

A supply of goods occurs in Kenya if:

- the goods are delivered or made available in Kenya
- the supply of goods involves their installation or assembly in Kenya
- where the goods are delivered outside Kenya, the goods were in Kenya when their transportation commenced.





A supply of services is made in Kenya if:

- the supplier's place of business from which the services are supplied is in Kenya
- the place of business of the supplier is not in Kenya, a supply of services shall be deemed to be made in Kenya if the recipient of the supply is not a VAT registered person in the following instances where the services are:
  - physically performed in Kenya by a person who is in Kenya at the time of supply
  - directly related to immovable property in Kenya
  - radio or television broadcasting services received at an address in Kenya
  - electronic services<sup>3</sup> delivered to a person in Kenya at the time of supply
  - the supply is a transfer or assignment of, or grant of a right to use, a copyright, patent, trademark, or similar right in Kenya.

## Time of supply

Generally, the time of supply of goods and services, including supply of imported services, is the earlier of:

- the date the goods are delivered, or services performed
- for construction works, the date a certificate is issued
- the date an invoice for the supply is issued
- the date payment for the supply is received (in whole or in part).

However, for supplies through machines operated by use of coins, notes or tokens, the time of supply shall be the date of withdrawal of the coins, notes or tokens from the relevant machine. In cases of successive supplies, the time of supply shall be the earlier of the date when payment for each successive supply is due or received.

### The time of supply of imported goods is:

- for goods cleared for home use – the time of customs clearance
- for goods cleared to a licensed warehouse – the time of final clearance from the warehouse for home use
- for goods cleared to an export processing zone (EPZ) or a special economic zone (SEZ) – the time of clearance for home use
- in any other case, the time the goods are brought into Kenya.

## Taxable supplies by a registered person for use outside the person's business

The VAT Regulations provide that an application of taxable goods or services by a registered person for use outside their business shall not be treated as a taxable supply unless the registered person has been allowed a deduction for input tax in respect of the taxable supply.

## Output tax

Output tax means the 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 reduced rate (8%), standard rate (16%) or at the zero rate (0%).

## Exempt supplies

Persons that deal exclusively in making exempt supplies are not required to register for VAT. By extension, such persons are not allowed to claim relief for input tax in relation to the goods and services they consume.

Exempt supplies (goods and services) include, but are not limited to:

- supply of financial services
- supply of insurance and reinsurance services
- supply of education services
- supply of agricultural, animal husbandry and horticultural services
- supply of medical, veterinary, dental, ambulance and nursing services
- transportation of passengers by any means of conveyance excluding international air transport or where the means of conveyance is hired or chartered
- supply by way of sale, leasing, renting, letting of land or residential premises
- solar equipment and accessories
- taxable goods used in geothermal, oil or mine prospecting or exploration.
- goods for direct and exclusive use in official aid funded projects
- plant and machinery used for construction of plastics recycling plant
- prefabricated biogas digesters, biogas, supply of denatured ethanol, sustainable fuel briquettes for household and commercial use.
- goods imported or purchased locally for the direct and exclusive use in the construction of houses under an affordable housing scheme

<sup>3</sup> Websites and web hosting, or remote maintenance of programmes and equipment; software and updating of software, images, text, and information; access to databases, self-education packages, music, films, and games; and political, cultural, artistic, sporting, scientific and other broadcasts and events including broadcast television.

- tea and coffee brokerage services
- betting, gaming and lottery services
- postal services
- personal protective equipment (PPE), including facemasks, for use by medical personnel in registered hospitals and clinics, or by members of the public in the case of a pandemic or a notifiable infectious disease
- hiring, leasing and chartering of aircrafts excluding helicopters of certain tariff numbers
- the transfer of assets and other transactions related to the transfer of assets into real estate investment trusts and asset-backed securities.

## Zero-rated supplies

Zero-rated supplies include, but are not limited to:

- export of goods
- export of services in respect of business process outsourcing.
- supplies of goods or taxable services to Export Processing Zones (EPZ) and Special Economic Zones (SEZ) enterprises
- transportation of passengers by air carriers on international flights
- tea and coffee supplied for export to coffee and tea auction centres
- goods purchased from duty free shops by passengers departing to places outside Kenya
- taxable services in respect of goods in transit
- inputs or raw materials supplied to pharmaceutical manufacturers in Kenya for manufacturing medicaments
- supply of inputs or raw materials to manufacturers of agricultural pest control fertilisers of Chapter 31
- supply to the Commonwealth and other governments, diplomats or first arrivals persons, donor agencies with bilateral or multilateral agreements, international and regional organisations, War Graves Commission, National Red Cross Society and St. John Ambulance
- Supply of ordinary bread.

## Input tax

### Input tax deductible

The VAT legislation provides for deduction of VAT incurred in making taxable supplies as input tax credits against VAT charged (output tax) within a period of six months from the date when VAT is incurred subject to:

- availability of the following supporting documents:
  - an original tax invoice issued for the supply or a certified copy of the tax invoice, or
  - a customs entry duly certified by the proper officer and a receipt for payment of tax, or
  - a credit note or a debit note as defined in the VAT legislation
  - in the case of participation in the Open Tender System for the importation of petroleum products that have been cleared through a non-bonded warehouse facility - the custom entry showing the name of the winner of the tender and the name of the oil marketing company participating in the tender
- the registered supplier has declared the sales invoice in a return.

Where output tax exceeds input tax in any tax period (calendar month), the registered person is required to pay the difference to the KRA as VAT payable.

Conversely, where input tax exceeds output tax, the registered person can claim a VAT refund where excess input tax arises from making zero-rated supplies. In any other case, the taxpayer is required to carry forward the excess input tax balance for offset against output tax in subsequent tax periods.

As an exception to the above rule, the VAT legislation allows manufacturers to make a deduction for input tax with respect to VAT exempt supplies made to an 'official aid funded' project as may be approved by the Cabinet Secretary to the National Treasury. The VAT Act exempts from taxation goods imported or purchased for direct and exclusive use in the implementation of official aid funded projects.

“Manufacturers making VAT exempt supplies of goods to official aid-funded projects are entitled to input tax credits

Job Kabochi, Partner, Tax and Legal Services,  
PwC Kenya



## Time limits

If, at the time when a deduction for input tax would be allowed, the person does not hold the aforementioned documentation, the deduction for input tax shall not be allowed until the first tax period in which the person holds the documentation, provided that the input tax shall be allowable for deduction within six months after the end of the tax period in which the supply or importation occurred.

## Apportionment of input tax

In instances where a registered person makes both taxable supplies and non-taxable supplies (exempt and out of scope supplies), the following criteria 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 determined by the following formula:

Total amount of input tax payable on qualifying supplies X value of all taxable supplies made during the tax period
Value of all supplies made during the period

Input tax subject to apportionment is:

- deductible in full if taxable supplies are more than 90% of the total supplies, and
- not deductible in its entirety if taxable supplies are less than 10% of the total supplies.

These rules are summarised in the in table below:

Taxable supplies (%)	Other supplies (exempt)	Input VAT deductible
100	0	Full deduction of input VAT
>90	<10	Full deduction of input VAT
11-89	11-89	Apportion input VAT
<10	>90	No input VAT deductible

VAT apportionment is to be determined on a period-by-period basis. A 'tax period' is defined to mean one calendar month. In addition, the Kenyan

VAT legislation does not provide for annual input tax adjustment or special methods of apportionment of input VAT other than the turnover method.

## Restriction on input tax deduction

The deduction of input tax incurred on the following supplies is specifically restricted by the VAT legislation:

- entertainment, restaurant and accommodation services unless the services are provided in the ordinary course of the business carried on by the person to provide the services and the services are not supplied to an associate or employee; or the services are provided while the recipient is away from home for the purposes of the business of the recipient
- acquisition, leasing, or hiring of 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.

## VAT refunds

### How do VAT refunds arise?

VAT refunds arise in the following circumstances:

- where a registered person makes zero-rated supplies
- where the VAT credit arises from tax withheld by appointed withholding tax agents
- bad debt relief where a registered person has made a supply and has accounted for and paid tax but has not received payment from the recipient of the supply
- where VAT has been paid in error.

A registered person who makes taxable supplies at both the standard rate and zero rate shall only be entitled to a refund arising from making zero-rated supplies. The refund shall be apportioned based on the proportion of the total value of zero-rated supplies to the total value of taxable supplies made in the month using the formula below:

Total value of zero-rated supplies X deductible input tax for the month of supply
Total value of taxable supplies

## Timelines for VAT refund claims

VAT refund claims are to be lodged within 24 months from the date when the tax becomes due and payable.

The VAT Act, effective 23 July 2019, allows a taxpayer to offset any excess VAT credits arising from withholding VAT against any taxes due and payable subject to verification by the KRA.

The Tax Procedures Act, 2015 (the TPA) provides that the Commissioner shall repay overpaid taxes within a period of two years from the date of refund application, failure to which the amount due shall attract interest of 1% per month or part thereof.

Effective 1 July 2022, the TPA also provides that the Commissioner shall ascertain and determine an application for refund of overpaid taxes within 90 days of the application. If the Commissioner fails to issue a decision, the application is deemed ascertained and payable.

## Withholding VAT obligations

The Commissioner for KRA may appoint a person to withhold VAT (WH VAT) equivalent to 2% of the taxable value on purchasing taxable supplies (excluding zero-rated supplies) at the time of paying for the supplies and remit the same directly to the Commissioner.

WH VAT in Kenya was introduced as an enforcement measure by the government to ensure additional visibility and accountability in relation to VAT charged. The Finance Act, 2014 amended the VAT Act, 2013 and re-introduced WH VAT at the rate of 6% of the taxable value on purchasing taxable supplies. Subsequently, the Finance Act, 2019 in a move to address taxpayers' cash flow burden as a result of WH VAT, reduced the WH VAT rate to 2% of the taxable value.

The VAT withheld should be remitted to the Commissioner on or before the 20th day of the subsequent month in which the withholding is effected. A person who fails to pay the withheld VAT to the KRA on the due date shall be liable on conviction to a penalty of 10% of the amount involved. Further, a person who fails to withhold VAT and remit the same to KRA is liable to recovery measures by the KRA of the tax due, penalties and interests arising thereon from the date on which the amount of tax should have been remitted to the Commissioner.

Previously, the Commissioner had powers to exempt certain taxpayers from WH VAT obligations. However, the exemption provision has since been cancelled, hence taxpayers with perpetual VAT credit because of the application of WH VAT will no longer have a reprieve. However, taxpayers are eligible for a VAT refund of credits as a result of WH VAT subject to review and approval by the Commissioner.

## International trade

### VAT on imported goods

The term importation means to bring or cause to be brought into Kenya, goods from a foreign country or from an EPZ or from an SEZ enterprise. 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.

No input tax may be deducted in relation to imported goods unless a registered person is in possession of:

- an original 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, or
- a debit note.

The taxable value of imported goods is the sum of:

- customs value and including any customs duty/levy paid in accordance with the East Africa Community Custom Management Act (EACCMA)
- freight and insurance costs, and
- cost of incidental or ancillary services associated with the importation of the goods.

The tax legislation gives the Commissioner of customs powers to:

- collect VAT payable on imported goods at the time of importation, or
- make arrangements for such functions to be performed on his behalf in respect of imported goods through the postal service.

A person shall not be allowed to obtain imported goods out of customs control unless the person has paid, and in full the correct amount of tax due on the imported goods.



## VAT on imported services

The Finance Act, 2019 amended the definition of supply of imported services to include supplies made to persons not registered for VAT effective 7 November 2019. Previously, a supply qualified as an imported service if it was made by a non-resident person who is not registered for VAT to a VAT registered person.

Pursuant to this amendment, VAT on imported services from non-resident persons shall be the liability of both registered and non-registered persons.

If a supply of imported taxable services is made to a recipient in Kenya, the recipient shall be deemed to have made a taxable supply to themselves. Notably, this provision of self supply does not apply to taxable supplies made over the electronic network, internet or a digital marketplace. Where a recipient is engaged in making fully taxable supplies and is entitled to a full credit of input tax, the taxable value of the imported service is reduced to zero, hence no VAT is payable.

Where a person supplies fully exempt supplies or where the proportion of exempt supplies is more than 90% of the total supplies, VAT at the standard rate is due on the full value of the imported services and should be accounted for as output VAT by the importer of the services.

Where the imported services are used in making both taxable and exempt supplies and cannot be directly attributed to either taxable or exempt supplies, the person will be required to pay VAT at the standard rate on imported services on the value of such services attributable to the exempt supply.

The inverse of the partial attribution formula discussed under the input tax deduction section above is used to determine the amount of VAT payable.

The tax point for imported services is the earlier of the date:

- when the services are performed
- 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
- on which full or partial payment is made for the service.

## VAT on export of goods

The VAT Act defines an export to mean to take or cause to be taken from Kenya to a foreign country, a SEZ enterprise or to an EPZ. Export of goods is subject to VAT at the rate of 0%. A registered person is required to hold the following documents as proof/evidence of exportation and to qualify to charge VAT at the zero rate:

- a copy of the invoice showing the recipient of the goods to be a person outside Kenya
- proof of payment for the supply
- a copy of:
  - the bill of lading, road manifest, or airway bill
  - the export or transfer entry certified by a proper officer of customs at the port of exit
  - certificate of export issued by customs
  - for excisable goods, as per the provisions of the Excise Duty Act.

Where the Commissioner for the KRA has reasonable grounds to believe that goods alleged to have been exported have not been exported, the Commissioner may require evidence from a competent authority outside Kenya confirming that the goods were duly landed and entered for home consumption at a place outside Kenya. Otherwise, the Commissioner shall treat the supply as not exported out of Kenya and subject them to standard rate VAT.

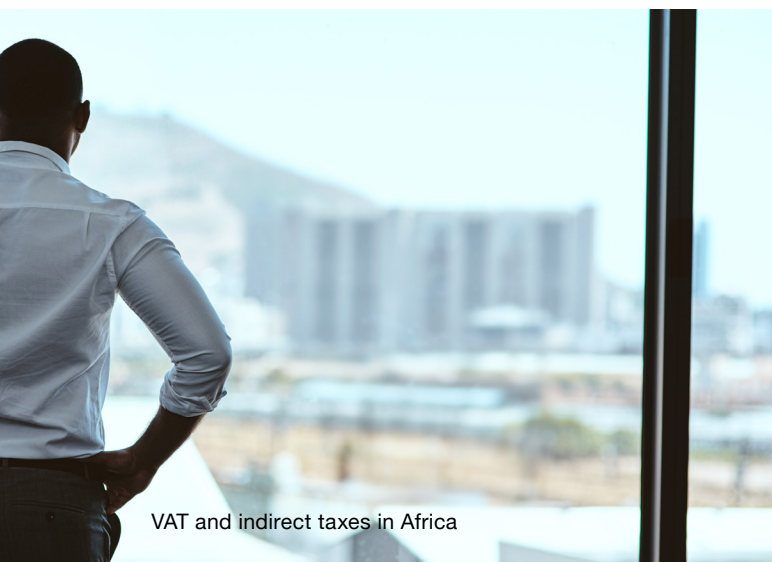
## VAT on export of services

The VAT Act 2013 defines a service exported out of Kenya to mean a service provided for use or consumption outside Kenya. With effect from 1 July 2022, the export of services is standard rated except if the services are in respect of business process outsourcing, which is zero rated. It is important to note that business process outsourcing is not defined in the Act. Prior to 1 July 2021, the export of services was a zero rated supply.

Between 1 July 2021 and 30 June 2022, the export of services was an exempt supply. Accordingly, persons solely providing exported services were not required to register for VAT in this period. The law requires persons providing taxable exported services to register and account for VAT.

Further, the VAT Regulations, 2017, provide that a service qualifies as an 'export of service' where the taxable supply involves the services being provided to a recipient outside Kenya for use, consumption, or enjoyment outside Kenya irrespective of where the payment is made from.

It is notable that the terms 'use' and 'consumption' are not defined in the VAT Act, 2013. As such, the determination of 'use' and/or 'consumption' has been the subject of numerous disputes between the Kenya Revenue Authority and taxpayers which have been arbitrated at the Tax Appeals Tribunal and the High Court.



Documentation required as proof of exportation of services includes:

- a copy of the invoice to the recipient
- proof of payment, and
- such other documents to prove that services were used/consumed outside Kenya.

## VAT compliance

### Returns and payment of VAT

VAT returns are to be filed through the revenue authority's online platform, iTax, on or before the 20th day after the end of a tax period. The VAT returns are to be filed through the VAT 3 return form, which is an iTax generated form. No manual filing of VAT returns is accepted by the KRA effective 1 August 2015 when iTax filing became compulsory for all taxpayers.

The Tax Procedures Act, 2015 provides that a person may apply to the Commissioner in writing for an extension of time to submit a VAT return, provided that the application shall be made at least 15 days before the due date for the tax period.

Upon request for extension, the Commissioner is required to respond at least five (5) days before the due date otherwise the request by the taxpayer is deemed accepted. The penalty for late submission is not applicable where an extension to file a return is granted. However, the grant of an extension of time to submit a VAT return does not alter the date for payment of any tax due ('original due date') under the VAT return.

### Interest and penalties applicable for late filing and late payment of VAT

Late submission of a VAT return attracts a penalty of 5% of the amount of tax payable under the return or KES10,000, whichever is higher.

Late payment of VAT will result in a late payment penalty of 5% of the tax due and payable plus late payment interest on the outstanding tax balance at a rate of 1% simple interest per month.

## Tax decisions, objections and appeals

### Tax decisions, objection to tax decisions and issuance of objection decisions by the Commissioner

A 'tax decision' is defined in the Tax Procedures Act, 2015 as an assessment, a determination of the amount of tax payable or that will become payable by a taxpayer, a determination of liability to pay tax, a decision on an application by a self-assessment taxpayer, a refund decision or a demand for a penalty.

A taxpayer who disputes a tax decision may lodge a notice of objection to the decision, in writing, with the Commissioner within 30 days of being notified of the tax decision. For the notice of objection to be considered as validly lodged, the taxpayer should state precisely the grounds of objection, the amendments required to be made to correct the decision, and the reasons for the amendments. In addition, the taxpayer is required to have paid the entire amount of tax due under the assessment that is not in dispute or has applied for extension of time to pay the tax not in dispute.

The above said, a taxpayer may apply for an extension of time to file the objection notice if the taxpayer was prevented from lodging the notice of objection within the prescribed period because of an absence from Kenya, sickness or other reasonable cause, provided the taxpayer did not unreasonably delay lodging the notice of objection.

The Commissioner is legally required to give an objection decision within 60 days from the date of receipt of the notice of objection or from the date the Commissioner requests any further information from the taxpayer failure to which the objection shall be deemed to be allowed. An objection decision shall include a statement of findings on the material facts and the reasons for the decision.

### Appeals to the tax appeals tribunal

Where a person disputes an appealable decision of the Commissioner on any matter subsequent to an objection, they may give notice in writing to the tax appeals tribunal, which is the next course of redress available for any aggrieved taxpayer.

The taxpayer is required to file the notice of intention to appeal to the tribunal within 30 days of being notified of the decision, provided that before appealing the person shall be required to pay a non-refundable fee of KES20,000. In addition, tax legislation provides that the notice of appeal to the tribunal relating to an assessment shall be valid if the taxpayer has paid the tax not in dispute or entered into an arrangement with the Commissioner to pay the tax not in dispute under the assessment at the time of lodging the notice.

Proceedings before the tribunal are of a judicial nature. For the hearing of proceedings before the tribunal, the taxpayer may appear in person or be represented by a tax agent or by an advocate.

The legislation also allows the parties in a dispute, at any stage during the proceedings, to apply to have the dispute settled out of the tribunal. This may be achieved through having negotiations with the KRA on a without prejudice basis under the alternative dispute resolution (ADR) framework. Where the tribunal allows the parties to settle the dispute outside the tribunal, the parties are required to reach a settlement within 90 days, failing which the dispute is referred back to the tribunal for adjudication.

## Appeals to the High Court

A party to an appeal who is dissatisfied with the decision of the tribunal on the appeal (the appellant) may appeal to the high court within 30 days of being notified of the decision. Thereafter, the appellant is required to file the substantive appeal documents with the court within 30 days. Further, a party to an appeal who is dissatisfied with the decision of the high court may appeal to the court of appeal within 30 days of being notified of the decision.

Similar to the tribunal, a party to a dispute at the high court may at any stage during the proceedings, apply to the court to be allowed to settle the matter out of the court. Where the court allows the parties to settle the dispute outside the court, the parties are required to reach a settlement within 90 days from the date the court permits the matter to be heard outside the court. Where parties fail to settle the dispute within the 90 days, the dispute is referred back to the court for hearing and adjudication.

## VAT records and documentation

### VAT record-keeping

All persons doing business in Kenya are required to keep, in the course of their business, a full and true written record, whether in electronic form or otherwise in the official languages (English or Kiswahili), of every transaction made for a period of five years from the date of the last entry made. The records are to be kept in Kenya for the five-year statutory period.

The records to be maintained include the following:

- copies of all tax invoices or simplified tax invoices (cash sale receipt) issued in serial number order
- copies of all credit notes and debit notes issued in chronological order
- purchase invoices, customs entries, receipts for the payment of customs duty or tax
- details of the amounts of tax charged on each supply made or received
- tax account showing the totals of the output tax and the input tax of each period and a net total of tax payable or excess tax carried forward

- stock records
- details of each supply of goods and services from the business premises.

The unit of currency for tax invoices shall be Kenyan shillings (KES). Where an invoice is issued in another/ foreign currency, the KES equivalent should be at least added to the face of the invoice.

Failure to retain or maintain a document as required under a tax law without reasonable cause for a period is an offence and attracts a penalty equal to the higher of 10% of the amount of tax payable under the tax law to which the document relates or KES100,000 where no tax is payable.

### Requirements of a valid tax invoice

On 25 September 2020, the VAT (Electronic Tax Invoices) Regulations, 2020 were gazetted repealing the predecessor provisions in VAT Regulations, 2017 on the requirements of a valid tax invoice. The 2020 regulations have made it mandatory for VAT registered persons to issue invoices through a tax register.

All taxpayers were required to comply with the implementation of the Tax Invoice Management System by 1 December 2022. It is expected that the implementation of the regulations will ensure real time transmission of transactions and information to the KRA. The KRA will be able to use data analytics on a real time basis to flag out taxpayers who have not declared their supplies correctly. Subsequently, in February 2023, the KRA rolled out an Electronic Tax Invoice Management System (eTIMS) as an enhancement of TIMS. It is believed that both systems will work concurrently, and taxpayers have a choice on which system to employ in their business.

The VAT (Electronic Tax Invoices) Regulations, 2020 provide that a valid tax invoice shall be generated through a tax register and should contain the following:

- the PIN of the registered user of a register
- the time and date of issuance
- the serial number of the invoice
- the buyer's PIN
- the total gross amount
- the total tax amount
- the item code of suppliers for exempt, zero-rated and other rate supplies
- a brief description of goods and services
- the quantity of supply
- the unit of measure
- the tax rate charged
- the unique register identifier
- the unique invoice identifier
- a quick response (QR) code.

## Tax invoice for supplies of imported services

The VAT Regulations, 2017 require a registered person who imports services and is entitled to a credit for part of the amount of input tax payable to prepare a tax invoice, in respect of the supply of imported services, containing the following:

- the name, address, and PIN of the recipient
- the name and address of the supplier
- the individualised serial number of the tax invoice and the date on which the tax invoice is prepared
- a description of the services supplied and the date of the supply
- the extent to which the supply has been applied other than to make taxable supplies
- the consideration for the supply and the amount of tax charged.

### Credit notes

The VAT legislation provides for instances where a taxpayer may issue a credit note. Specifically, a credit note is issued:

- for the amount of reduction where goods are returned to a registered person
- where for a good and valid reason, the registered person decides for business reasons, to reduce the value of supply after the issue of a tax invoice.

The VAT legislation provides that such a credit note may only be issued within six months after the issuance of the relevant tax invoice and within 30 days where there was a commercial dispute in court with regard to the price payable after the matter has been determined.

In addition, a registered person who issues a credit note is required to reduce the amount of output tax in the tax period in which the credit note was issued by an amount that bears the same proportion to the tax originally charged. The amount of tax so credited shall be specified in the credit note.

Further, a registered person who receives a credit note for a supply in respect of which they had claimed deductible input tax is required to reduce the amount of deductible input tax by the amount of tax credited in the month of which the credit note is received.

A valid credit note should contain the following:

- the words 'credit note' in a prominent place
- the name, address, and PIN of the supplier
- the name, address, and PIN of the recipient
- the individualised serial number of the credit note and the date on which the credit note is issued
- a brief description of the circumstances giving rise to the issuing of the credit note, including the invoice details to which the credit note relates

- the consideration shown on the tax invoice for the supply, the correct amount of the consideration, the difference between those two amounts, and the amount of tax that relates to the difference.

### Debit notes

A debit note is issued where a registered person has issued a tax invoice in respect of a taxable supply and subsequently makes a further charge in respect of that supply or any transaction associated with that supply. The debit note should display details of the tax invoice issued at the time of the original supply.

A registered person who receives a debit note is eligible to claim a deductible input tax for the further charge in the month the further charge was made or in the subsequent month provided that the deduction had not been previously claimed.

“In February 2023, the KRA rolled out an Electronic Tax Invoice Management System (eTIMS) as an enhancement of TIMS

Job Kabochi, Partner, Tax and Legal Services, PwC Kenya

A valid debit note should contain the following:

- the words 'debit note' in a prominent place
- the name, address, and PIN of the supplier
- the name, address, and PIN of the recipient
- the individualised serial number of the debit note and the date on which the debit note is issued
- a brief description of the circumstances giving rise to the issuing of the debit note, including
- the invoice details to which the debit note relates
- the consideration shown on the tax invoice for the supply, the correct amount of the consideration, the difference between those two amounts, and the amount of tax that relates to the difference.

## Specific VAT rules

### VAT for the digital marketplace

VAT is applicable to supplies made over the Internet or an electronic platform or through a digital marketplace. A 'digital marketplace' means an online platform that enables users to sell goods or provide services to other users.



The VAT legislation provides that the Cabinet Secretary for the National Treasury (CS) shall make regulations to provide the mechanisms for implementing the provisions of this amendment. To this effect, on 9 October 2020, the CS gazetted the VAT (Digital Marketplace Supply) Regulations 2020 with a six-month transition period. This means affected suppliers were required to register for VAT by April 2021. Consequently, on 15 March 2023, the CS gazetted The VAT (Electronic, Internet or Digital Marketplace Supply) Regulations 2023 which revoked the VAT (Digital Marketplace Supply) Regulations 2020.

The scope of taxable supplies under the newly published regulations include:

- downloadable digital content including downloadable mobile applications, e-books and films
- subscription-based media including news, magazines and journals
- over-the-top services including streaming television shows, music, podcasts and any form of digital content
- software programmes including software, drivers, website filters and firewalls
- electronic data management including website hosting, online data warehousing, file-sharing and cloud storage services
- music and games
- search engine and automated helpdesk services including customisable search engine services
- music and games
- tickets for live events, theatres or restaurants
- online education programmes including distance teaching programmes through pre-recorded media or e-learning, education webcasts, online courses and training, but excluding education services exempted under the VAT Act.
- digital content for listening, viewing or playing on any audio, visual or digital media
- services that link the supplier to the recipient including transport hailing services or platforms
- electronic services (defined under place of supply above)
- sales, licensing or any other form of monetizing data generated from users' activities
- facilitation of payment for exchange or transfer of digital assets, excluding services exempted under the VAT Act
- any other service provided through an electronic, internet and digital marketplace that is not listed as exempt in the VAT Act.

The VAT (DMPS) Regulations are primarily targeted at all supplies made using a digital marketplace. Previously the law expressly provided for business-to-consumer (B2C) suppliers of services only. However, through legal gazette number 68 of 2022, the Regulations were amended to remove the distinction between B2C and B2B services as it relates to digital marketplace supplies.

VAT liable suppliers shall register for tax in Kenya within 30 days of making taxable supplies through the simplified tax registration framework, or appoint a tax representative to administer their tax obligations in Kenya.

Registration under the simplified tax framework shall be conducted online through a prescribed form and upon issuance of the following information:

- the name of the business including the business' trading name
- the name of the contact person responsible for tax matters
- the postal address or registered address of the business and its contact person
- the telephone number and email address of the contact person
- the websites or uniform resource locators (URLs) of the supplier
- the national identification tax number issued to the supplier in their jurisdiction
- the certificate of incorporation or registration issued to the business in the country of incorporation
- any other information that the Commissioner may require

## Place of supply

The place of supply is deemed to be Kenya where the recipient of the taxable supply is in Kenya. The 'recipient' is defined as the person to whom the supply is made. To determine if the recipient of the service is in Kenya, the Commissioner considers whether the payment proxy, residence proxy and access proxy are in Kenya.

## Time of supply

The time of supply on the digital marketplace is the earlier of the date on which the payment for the supply is received in whole or in part; or the date on which the invoice or receipt for the supply is issued.

## Exemption from issuing a tax invoice

There is no requirement to issue electronic tax invoices for supplies made by non-resident suppliers, provided that the supplier shall issue an invoice or a receipt that will be deemed to be a tax invoice.

## Input tax deductibility

Claim for input deduction is not allowed for transactions relating to electronic, internet or digital marketplace supply.

## VAT treatment of bad debts

A VAT registered person who has made a supply and paid tax on that supply can apply for 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 four years old
- where the taxpayer can prove that reasonable attempts have been made without success to collect the debt.

In essence, the law allows for only one year for application of the relief - that is, between the lapse of the third year and fourth year since the date of the supply. Taxpayers ought to pay attention to this specific statutory timeline in seeking VAT refunds arising from bad debts. The VAT Act does not provide other administrative conditions to be fulfilled during processing of refund arising from bad debts.

## Land and buildings

The sale, renting, leasing, hiring, or letting of land and residential buildings is exempt from VAT. The exemption does not apply in respect of car park services or conference or exhibition services, except where they are 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.

In 2020, the High Court held that improvements on a piece of land, whether for commercial or residential purposes at the point of disposal, were considered as part and parcel of the land hence exempt from VAT. The KRA has appealed the high court ruling and, at the time of this publication, the Court of Appeal had not made a determination on the matter.

## Voluntary Tax Disclosure Programme

The Finance Act 2020 introduced Voluntary Tax Disclosure Programme (VTDP) to run for a period of three years commencing 1 January 2021, where a person shall disclose any tax liabilities to the Commissioner for the purposes of being granted relief of penalties and interest on the principal tax disclosed.

The application shall be made in a prescribed form for tax liabilities accrued within five years prior to 1 July 2020.

Once the Commissioner approves the application, the relief shall be granted as follows:

- a full remission (100%) on interest and penalties, where disclosure is made and full tax liability paid in the first year (2021)
- a 50% remission, where disclosure is made and tax liability paid in the second year (2022)
- a 25% remission, where disclosure is made and tax liability paid in the third and final year (2023).

The Commissioner shall enter into an agreement with a taxpayer setting out the terms and period of payment (which shall not exceed one year). Where a person fails to honour the agreement, they shall be liable to pay the full interest and penalties that had been remitted.

VTDP does not apply to any person undergoing an audit, a compliance review, investigation, ongoing litigation in respect of a tax liability or has been notified of a pending audit or investigation by the Commissioner.

## Other indirect taxes

### 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 Excise Duty Act, 2015.

“Excise duty is applicable on telephone and Internet data services at 20%

Job Kabochi, Partner, Tax and Legal Services, PwC Kenya

Excise duty must be accounted for on certain manufactured goods, including alcoholic and non-alcoholic beverages, luxury goods, soft drinks, bottled water, juices, sugar confectionery (including imported white chocolate), tobacco products, petroleum products, imported gas cylinders, cosmetics and vehicles.

The Finance Act 2021 introduced excise duty on certain food products such as imported pasta, imported eggs, imported onion, imported potatoes, potato crisps and potato chips. Additionally, excise duty is now applicable on imported furniture, plastics, nicotine products and unsaturated polyester.

Excise duty is also applicable to excisable services such as telephone and Internet data services at 20%; fees charged for money transfer services by banks, money transfer agencies and other financial services providers at 20%; fees charged for money transfer services by cellular phone service providers at 12%; other fees charged by financial institutions at 20%; betting, gaming and lottery at the rate of 7.5% except for horse racing and charitable lotteries. Fees charged by digital lenders at a rate of 20% and importation of cellular phones shall be 10% of the excisable value.

### Import duty

Import duty is imposed on goods imported into Kenya. The rate will depend on the East African Community Common External Tariff (EACCET) in respect of the goods. The import duty rates range from 0% to 35%. The import duty rates and their application are governed by the East African Community Customs Management Act (EACCMA), which is applicable across all the East African Community partner states.

### Import declaration fee

Import declaration fee (IDF) is charged at the rate of 3.5% of the customs value of the goods imported into Kenya for home use. However, there is a reduced IDF rate of 1.5% on the customs value on raw materials and intermediate products imported by approved manufacturers and also inputs for construction of houses under the affordable housing scheme approved by the cabinet secretaries responsible for industry and housing respectively.

Goods valued at KES 5bn or more imported in the interest of the public or to promote an investment are exempt from IDF.

### Railway development levy

Railway development levy (RDL) is levied at the rate of 2% on the customs value of the goods imported into the country for home use. However, the law provides for a lower RDL rate of 1.5% on raw material and intermediate products imported by manufacturers approved by the CS for industry and on inputs for the construction of houses under an affordable housing scheme approved by the CS for finance on the recommendation of the CS responsible for matters relating to housing.

Goods valued at KES 5bn or more imported in the interest of the public or to promote an investment are exempt from RDL.

### Export levy

Export levy is levied on goods specified in the tax legislation at the time of entering the goods for export. The tax legislation also prescribes the applicable rates for the specific goods subject to an export levy. The rates are adjusted annually by the Commissioner to take into account inflation.

### Exports and investments promotion levy

To protect local industries, and provide financing for the Micro, Small, and Medium Enterprises (MSMEs) in the manufacturing sector, the government has proposed a levy called the Export and Investment Promotion Levy on certain import goods/products which the local manufacturing industries have the capacity to produce. This levy has not been enacted into law. The government has invited members of the public to make submissions regarding the proposed law.

### Anti-adulteration levy

Anti-adulteration levy is imposed on all illuminating kerosene imported into Kenya for home use. The levy is imposed at the rate of KES 18 per litre of the customs value of the illuminating kerosene. This levy is paid by the importer at the time of bringing in the illuminating kerosene into Kenya.

The Miscellaneous Fees and Levies Act further provides that the Commissioner shall refund the levy upon written application by an importer where the Commissioner is satisfied that the levy was paid in respect of illuminating kerosene that has subsequently been used by a licensed or registered manufacturer to manufacture paint, resin or shoe polish.

### 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
- grant of security over assets.



# Lesotho



## Contact details

<b>Physical address</b>	<i>PwC does not have an office in Lesotho. PwC South Africa, based in Bloemfontein, offers consultancy services to foreign investors.</i> 61 Second Avenue Westdene, Bloemfontein, 9301
<b>Postal address</b>	PO Box 818, Bloemfontein, 9300
<b>Tel</b>	+27 51 503 4100
<b>PwC contact</b>	
Hennie Smit	hennie.smit@pwc.com

## Introduction

VAT was introduced in Lesotho with effect from 1 July 2003, by way of the Value Added Tax Act No. 9 of 2001. It replaced the general sales tax system that had been in use for many years.

The VAT system is administered by the Commissioner for VAT in the Revenue Service Lesotho (RSL).

The supply of goods also includes the application of the goods for the supplier's personal or non-business use.

The supply of services includes making available any facility, tolerating any situation or omitting to act, thereby causing a person to receive payment; or the application of services for own use.

VAT is charged on a supply by auction, the sale of goods by instalments, lay-by sales and the supply of taxable fringe benefits. A supply of goods or services by an agent for a principal is regarded as 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.

## Rates and scope

The VAT rates are as follows:

- 0% on goods and services exported from Lesotho
- 10% on the supply of electricity
- 15% on all other taxable supplies of goods and services (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.

## VAT registration

### Compulsory registration

Lesotho's currency is the Lesotho Loti (LSL) or, in the plural, Maloti (M). The VAT registration threshold is LSL850,000 (± USD50,000) taxable turnover in the past or next 12 months.

The RSL 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 and intends to make taxable supplies in future can apply to be registered for VAT even before making the taxable supplies.

## Registration of non-residents

A person living in Lesotho may be required to register for VAT notwithstanding the fact that only part of their business is carried on in Lesotho while the other part is carried out abroad.

A person will also be required to register for VAT if they have a place of business in Lesotho but live or only supply goods or services abroad.

A local fiscal representative is required, but a bank account in Lesotho is not a necessity. An income tax registration is also required before an entity can register for VAT.

## 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. It is called a tax identification number (TIN).

## Deregistration

The RSL must be notified in writing if the following should happen and deregistration has to 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 permanently ceases to trade
- if a person was registered as an intended trader and the intention to make supplies has 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 the following:

- education
- financial services
- passenger transport
- insurance
- public postal services
- unimproved land
- leasing or letting of immovable property where the tenant is a manufacturer and uses the property principally to carry on a manufacturing enterprise
- water
- services of doctors and dentists (but not, for example, osteopaths).

## Zero-rated supplies

Zero-rated supplies include 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 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, frozen, or packaged as seed
- certain animal feeds and substances
- lentils — dried or shelled but not skinned or split
- sorghum meal
- unmalted sorghum grain
- wheat grain
- 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 is 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, they should request the supplier for a duplicate of the invoice. 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 LSL5,000 (± USD710) annually per telephone line or electricity metre (input tax can only be claimed on expenses exceeding LSL5,000)
- 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
- business entertainment, namely hospitality of any kind provided in connection with a business, including the supply of meals, drinks and entertainment at clubs and the provision of recreational facilities.

## Partial exemption

If a vendor makes taxable supplies as well as exempt supplies, they may claim part of the input tax paid on their 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.

## Preregistration and post-deregistration VAT

A vendor is allowed to claim an 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
- 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 a pre-registration VAT credit must be submitted within four years of registration and the vendor must provide details of the stock on hand, copy of invoices etc., to support the claim.

## Imports

### Goods

VAT is payable on the importation of goods by any person into Lesotho. The VAT paid by the vendor on the importation of goods for their business can be claimed as an input tax deduction.

Goods imported from a country from the Southern African Customs Union (SACU) (i.e. Botswana, Namibia, South Africa and Swaziland) are deemed to have been imported into Lesotho at the time the goods physically enter Lesotho.

Goods are deemed to have been imported into Lesotho from outside SACU on the date on which the goods enter the borders for use within Lesotho.

The taxable value of 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 SACU, their taxable value is the sum of the customs value of the imported goods and the customs duty payable on it.

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 20th day of the month following the month during which the goods were imported.

Goods that would have been exempt or zero-rated if supplied in Lesotho are subject to the same VAT 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 that are meant for use or consumption in Lesotho.

VAT is payable on the imported service by the person importing the service into Lesotho.

## 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.

Where VAT is paid on exported goods, refunds to foreigners are made 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 upon allocation 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 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
- payment for the supply is received.

A vendor is considered to have received cash on the date that they receive the money and a cheque on the date that they receive 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, they must account for VAT when the deposit is received.

The specific rules for the time of supply can be summarised as follows:

- auctions — the time of the auction
- goods taken for own use — the date on which the goods or services are applied for own use
- gifts — the date on which ownership passes or the services are completed
- hire purchase agreement or financial lease — the date of commencement of the agreement or lease
- other periodic payments and rent — the successive supplies occur when each payment is due
- 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 they receive a VAT invoice. In relation to cheques, a vendor is deemed to have made a payment on the date that they send the cheque or the date on the cheque, whichever is 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, they 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 payments 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
- supply for a reduced consideration.

## VAT compliance

### Accounting basis and tax periods

Where a vendor has adopted the cash VAT accounting system, they account for VAT in the VAT return for the month in which payment for a supply is received, and the input tax credit is claimed after payment has been made.

Where an invoice VAT accounting system is adopted, the 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 (last business day 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 22% per annum of the outstanding VAT per month or part thereof. The interest is compounded.

## Refunds

Where a vendor has overpaid VAT for any tax period, they have the option to either:

- set off the excess against any outstanding liability relating to an earlier period
- 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 tax in arrears. Where a vendor can satisfy the RSL that excess credits are a feature of their business activities, the quarterly rule may be waived and the vendor may be 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
- the selling price, excluding VAT and any discount, the total amount of VAT charged, and the selling price including VAT
- 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, and VAT and TIN registration numbers
- the commercial name, place of business, and VAT and TIN registration numbers of the recipient
- the date the credit note is issued
- a brief explanation of the circumstances that gave rise to the issuing of the credit note
- sufficient information to identify the taxable supply to which the credit note relates
- 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
- proof of payment (settlement), if applicable.

## Record-keeping

A vendor must keep record of all supplies made and 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, they do not need to issue a VAT invoice unless the customer asks for one, but they must make a summary of their 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.

## 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
- Credits received from suppliers.

A 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
- business records.

## Specific VAT rules

### Bad debts

VAT paid to the RSL 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
- 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 their debtor for the VAT-inclusive amount that they are owed by the insolvent debtor
- 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.



# Liberia



## Contact details

Physical address	Payne Avenue, 9th Street, Sinkor, Monrovia, Liberia
Postal address	Payne Avenue, 9th street, Sinkor, Monrovia, Liberia
Tel	+231 (0) 77 0999 555

## PwC contact

Faith Manley	faith.manley@pwc.com
Maxwell Ntiri	m.ntiri@pwc.com
Abeku Gyan-Quansah	abeku.gyan-quansah@pwc.com
Website	<a href="https://www.pwc.com/lr/en">https://www.pwc.com/lr/en</a>

## Introduction

The current GST regime in Liberia came into force on 1 January 2001 when the Revenue Code of Liberia (2000) was enacted in 2000. The Revenue Code was amended in 2011 and subsequently in 2016. GST in Liberia is administered by the Commissioner-General of the Liberia Revenue Authority.

- Service tax payable on a supply of taxable services is to be accounted for by the registered service provider making the supply.

## Recoverability of GST

Goods and services tax payable by a registered manufacturer and service provider is recoverable by them from the recipient.

## Taxable supply

### Definition of taxable supply

Liberia's GST regime has a narrow base.

### Goods tax

Taxable supply means any supply (other than an exempt supply) of goods by a manufacturer where the manufacture of goods is in Liberia and the supply is made in connection with the carrying on of a business.

## Scope of GST

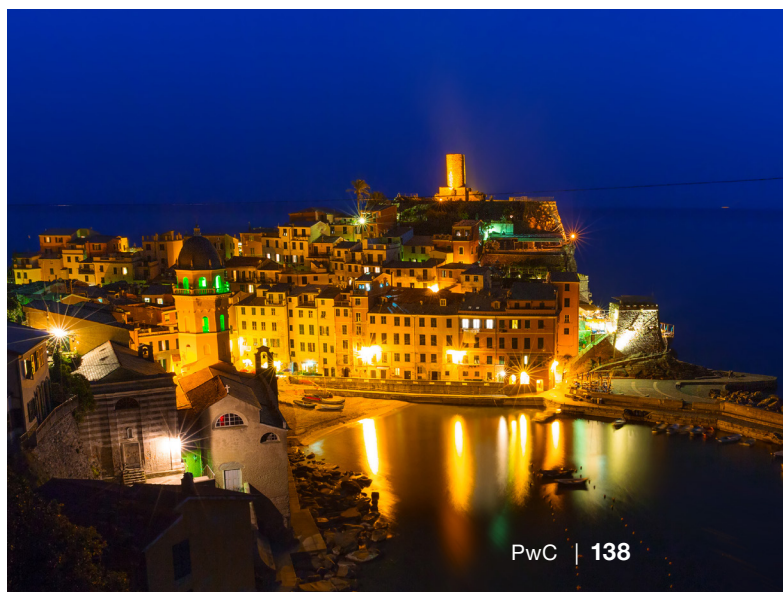
### Imposition of goods and services tax (GST)

Goods and services tax (GST) is imposed on:

- every taxable supply of goods by a registered manufacturer
- every taxable import of goods
- every supply of taxable services in Liberia by a registered services provider.

### Person liable for GST

- Goods tax payable on taxable supply of goods is to be accounted for by the registered manufacturer.
- Goods tax payable on taxable importation of goods is to be paid by the importer, unless the importer is a registered manufacturer and the import is used to produce the registered person's manufactured goods.



## Services tax

Taxable services include:

- electricity services
- telecommunications services
- provision of water for a fee
- hotel services (including board, lodging, restaurant meals, beverages)
- restaurant services (including supply of meals and beverages) and take-away meals supplied by a café, supermarket or similar facility
- gambling services
- sale of tickets by an international transport service
- services of a travel agent or travel arranger, including issuing tickets
- other services (including port-related services, courier services, air travel, vehicle rental services, automobile repairs and services, and professional services).

## GST rates

Aside from telecommunications services, the general GST rate for all taxable goods and services and on taxable imports is 10%.

Telecommunications services attract a surcharge of 5% making the total GST 15%.

Goods exported attract 0% GST.

## GST registration

### Compulsory registration

Any person who carries on any business of manufacturing or business of providing taxable services has an obligation to register as follows:

- at the end of any 12-month period where taxable supplies or services totalling LIB\$3m was made, or
- at the beginning of any twelve months period where there are reasonable grounds to expect that taxable supplies or services totalling LIB\$3m or more will be made.

Any person having an obligation to register per the above qualification shall apply to be registered within 21 days of becoming obliged to register.

### Voluntary registration

Persons supplying taxable goods and services who do not meet the above registration threshold may apply for voluntary GST registration.

### Group registration

Not applicable.

## Deregistration

### Goods tax

A registered manufacturer shall apply in writing to the Commissioner-General for cancellation of the person's registration if they cease to make taxable supplies or if the value of their taxable supplies during the last 12-months does not exceed LIB\$3m.

Application for deregistration can only be made after the expiration of two years from the date of registration.

### Services tax

A registered services provider shall apply in writing to the Commissioner-General for cancellation of their registration if they cease to be required to be registered under the Tax Code.

## Input GST deduction

### Input tax allowed

Not applicable.

### Input tax expressly denied

Not applicable.

### Partial exemption

Not applicable.

### Change-of-use adjustments

Not applicable.

### Preregistration or post-deregistration GST

Not applicable.

### Non-residents

Not applicable.

## Output GST

### Brief description of output GST

The GST rate is applied on the taxable amount of the taxable supply. The taxable amount is generally the consideration paid/payable for the supply.

Output GST charged is fully remitted to the tax authority by the due date. An input deduction is not allowed.

## Exempt supplies

Exempt supplies are as follows:

- supply of foodstuffs for human consumption (but not when served as a meal or as cooked or prepared food), for the general use of educational, and philanthropic institutions
- a supply of goods for the relief of distressed persons in the case of natural disasters or other humanitarian emergencies
- a supply of a pharmaceutical or medicinal preparation shall be specified by regulation to be issued by the minister
- a supply of medical aids or appliances specifically designed for persons with an illness or disability shall be specified by regulation by the minister
- a supply of textbooks or other instructional materials designed for use in schools or adult education programmes, including items specified in regulations
- supply of raw materials to a registered manufacturer, a renewable resource producer, a mining project producer or a petroleum project producer
- supply of goods as part of the transfer of a manufacturing business as a going concern by a registered manufacturer to another registered manufacturer
- supply of medical and educational equipment and supplies purchased for use directly in or in connection with a renewable resource contract, mining project production and petroleum project production and intended to be placed in service within one year of purchase.

## Zero-rated supplies

Taxable goods exported attract 0% GST.

## Special rated supplies

Telecommunications services attract a surcharge of 5%, making the total GST of 15%.

## Advertising prices

Not applicable.

## International trade

### Imports

#### Goods

GST applies at a rate of 10% on all imported goods to the extent that the goods will be subject to GST if they were supplied in Liberia, i.e. manufactured in Liberia.

#### Services

There is no GST on imported services.

## Exports

### Goods

Export of goods attracts 0% GST.

Export of goods means the delivery of goods to, or the making available of the goods at, an address outside Liberia for use or consumption outside Liberia as evidenced by documentary proof.

### Services

Services attract 10% GST except electricity and telecommunications services. Electricity and telecommunications services attract GST if they are received in Liberia.

## Place, time and value of supplies

### Place of supply

#### Goods tax

The place of supply for goods:

- occurs at the place where the goods are delivered or made available by the supplier
- If the delivery or making available involves transportation, the place where the goods are when the transportation commences.

#### Services tax

The general provision is that a supply of taxable services occurs at the place of business from which the services are provided.

For electricity or telecommunications services, a supply of electricity or telecommunications services occurs at the location where the services are received.

### Time of supply

#### Goods tax

Generally, time of supply occurs at the earlier of:

- the date on which the goods tax invoice for the supply is issued, or
- the date on which the goods tax invoice is required to be issued (earlier of date of payment, date of delivery or date of shipment).

#### Services tax

Generally, time of supply occurs at the earlier of:

- the date on which the services tax invoice for the supply is issued, or
- the date on which the services tax invoice for the supply is required to be issued (i.e. within ten days of performing the services)



## Value of supply

### Goods tax

In general, the value of the supply of goods is the consideration payable for the supply.

The value of supply for hire purchase agreement, finance lease, application of goods for own use, and related-party transactions is the fair market value.

### No consideration

Where the supply is made for no consideration the value of supply is zero except in a related-party transaction.

### Imported goods

The value of the supply for imported goods is the sum of the following:

- the CIF (cost, insurance and freight), Liberian Port or Customs entry value, whichever is applicable
- the value of incidental services
- the customs duty, customs service fee, Economic Community of West African States (ECOWAS) Trade Levy, and excise tax (if any) on import.

### Services tax

In general, the value of the supply of services is the consideration payable for the supply.

The value of supply for related-party transactions is the fair market value.

### No consideration

Where the supply is made for no consideration the value of supply is zero except in a related-party transaction.

## GST compliance

### Accounting basis and tax period

The tax period is the calendar month.

### Returns and payment of GST

#### Goods tax

Every registered manufacturer shall file a goods tax return for each tax period within 21 days after the end of the period, whether or not any goods tax is due for the period. Goods tax payable is due on the date that the goods tax return for that period is due.

In respect of taxable imports, the goods tax payable by an importer in respect of a taxable import is due on the date of arrival of the import at the port of entry, and is collected at the same time and subject to the same conditions as collection of customs duties under the External Tariff Law.

“ GST applies at a rate of 10% on all imported goods to the extent that the goods will be subject to GST if they were supplied in Liberia

Faith Manley , Senior Associate, Tax and Legal Services, PwC Liberia

### Services tax

Every registered services provider shall file a services tax return for each tax period within 21 days after the end of the period, whether or not any services tax is due for such period.

### Interest and penalties

There is a comprehensive system of penalties and interest payable for:

- failure to register
- late filing
- failure to file
- failure to pay on time
- failure to pay correct amount.

### Refunds

Not applicable.

### Objections and appeals

A taxpayer has a right to object a determination (or assessment) made by the tax authority.

If the objection is unsuccessful, then the taxpayer may appeal the determination to the Board of Tax Appeals (BoTA).

In order to make an appeal to the BoTA, the taxpayer must submit a written request for a hearing stating briefly the basis of the appeal. Within 30 days of making the request, the taxpayer must submit a written protest (objection) containing an explanation of the issues to be heard. The hearing by BoTA must be made within six months after the date of the taxpayer's request for hearing.

If the taxpayer is not satisfied with the decision of the BoTA, they may appeal the decision to the court.

### Time limits

An appeal to the Board of Tax Appeals must be made within 30 days after the date of the notice of determination.

Appeals to the courts must be made within 30 days after the decision of the Board of Tax Appeals.

## Withholding GST

### Appointment of withholding GST agents

Not applicable.

### Withholding GST exemption

Not applicable.

### Withholding compliance

Not applicable.

## GST refunds

There is no cash refund allowable to a registered manufacturer in Liberia. Credit may be allowed for GST overpaid in error under certain circumstances.

## GST records

### Tax invoices

Every registered manufacturer or service provider making a taxable supply shall provide the customer with a tax invoice for the supply.

The tax invoice shall have the following particulars:

- the words 'goods tax invoice' or 'services tax invoice' in a prominent place
- the name, address, and taxpayer identification number of the registered manufacturer/service provider making the supply
- the individualised serial number and the date on which the goods/services tax invoice is issued
- the description of the goods/services supplied (including quantity or volume) and the date on which the goods were delivered
- the consideration for the supply and the amount of the GST charged.

Tax invoices are self-generated by the registered manufacturer or service provider.

### Credit notes and debit notes

The law allows for debit notes and credit notes to be issued to the recipient in respect of goods tax in the event the goods are seized by the tax authority if the tax revenue is at risk.

In addition to the above, in practice, credit and debit notes may be issued in the following events:

- a taxable supply is cancelled
- the nature of a taxable supply has been fundamentally varied or altered
- the consideration for a taxable supply by a registered manufacturer is altered
- the goods (or part thereof) that are the subject of a taxable supply by a registered manufacturer are returned to the manufacture.

### Additional export documentation

Not applicable.

### Record-keeping

There are no record-keeping rules for GST compliance.

However, a taxpayer is generally required to maintain in Liberia, in the English language, books and records adequate to substantiate the tax due and is required to produce them upon request.

Records to be kept generally include GST invoices, bank statements, credit notes, debit notes, customs documentation relating to imports or exports, accounting and other financial information etc.

## Specific GST rules

### Bad debts

There are no specific provisions on bad debts.

However, if a taxable supply is cancelled (which may occur in the event of bad debts), the taxable person is granted a credit for the GST on the taxable supply cancelled. The credit is allowed in the tax period in which the cancellation occurred.

### Digital economy

Not applicable.

### Land and buildings

Not applicable.

### Leasing

Leases are treated as the supply of goods.

Finance leases are valued for GST purposes at the fair market value at the time of the supply. Time of supply is the date on which the lease agreement commences.

### Promotional gifts

Generally promotional gifts are valued at no consideration.



## Secondhand goods

Not applicable. Goods tax applies only on goods manufactured in Liberia.

## Tourism industry

Certain services in the tourism industry are subject to GST. These are:

- services supplied in carrying on the business of a hotel or similar facility (including board, lodging, and incidental services), and restaurant meals, beverages, and other services supplied on the premises of a hotel
- services supplied in carrying on the business of a restaurant or café (including supplies of meals or beverages), and supplies of take-away meals by a restaurant, café, supermarket or similar supplier.

## Currency conversion

Not applicable

## Transfer of business

A supply of goods as part of the transfer of a manufacturing business as a going concern by a registered manufacturer to another registered manufacturer is exempt from GST.

A registered manufacturer means any person who is registered or required to be registered for GST in Liberia.

## Warranty repairs

Not applicable unless it involves a supply of goods by a registered manufacturer.

## Other indirect taxes

### Import duties

Import duty is imposed on all imported goods into the country. Import duty is calculated with reference to the country's Harmonised Systems Code.

### Excise duties

Excise duty is imposed on the production of excisable goods in Liberia, importation of excisable goods into Liberia and the provision of excisable services in Liberia.

### Specific rates

There is a fixed amount based on a specific unit of measurement in the excisable good.

“ A registered manufacturer means any person who is registered or required to be registered for GST in Liberia

Faith Manley , Senior Associate, Tax and Legal Services, PwC Liberia

## Ad valorem

Ad valorem is expressed as a percentage of the taxable value. The taxable base for domestic excisable goods is determined as the greater of the ex-factory price or the normal selling price excluding GST.

For imported excisable products, the taxable base is determined as the sum of the CIF, import duty, customs service charge, ECOWAS Levy and any other duties except GST.

Exports of excisable products are taxed at a zero rate.

Excisable goods generally include:

- alcoholic and non-alcoholic beverages
- tobacco and tobacco products
- luxury goods
- cosmetics
- sugar
- gambling equipment.

## Returns

Every person required to pay excise tax shall file an excise tax return for each tax period within 21 days after the end of the period, whether or not any excise tax is due for the period, except that no additional return need be made for excise duties paid on imported excisable goods.

## Payment of tax

### Domestic goods

The payment date is the same as the date of the return.

### Imported goods

The excise duty is paid at the customs point together with the custom duties.

### Stamp duty

There is no specific law on stamp duty. However, certain documents need to be notarised at the Notary Public to give them legal backing.

# Madagascar



## Contact details

Physical address	PricewaterhouseCoopers Tax & Legal, Rue Rajakoba Augustin, Ankadivato, Antananarivo 101, Madagascar
Tel	+261 20 22 217 63
PwC contact	
Andriamisa Ravelomanana (Ami)	Andriamisa.ravelomanana@pwc.com
Lanto Ralison	lanto.ralison@pwc.com
Website	www.pwc.com/mg

## 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 2023.

## Rates and scope

The standard rate of VAT is 20%. A rate of 0% is applicable to exports of goods and services.

Imports and sales of butane gases and their containers are taxed at a reduced rate of 5%.

The rate of VAT on premium fuel and diesel was reduced to 15% in 2022, and then increased to 20% in 2023.

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 MGA400 million (approximately USD100,000). 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
- execution of building and civil works.

## VAT registration

### Tax identification number

All new businesses must get a tax identification number and a tax card, or 'Carte Fiscale', at the time of incorporation. The tax identification number automatically covers VAT registration. The 'Carte Fiscale' must be renewed every year.

A tax card is required for each place of business or establishment.

### Compulsory registration

Any company (legal entity) or individual business which makes supplies of goods or services and realises an annual gross revenue of MGA400 million or more must be subject to VAT.

Persons whose turnover or income for the current financial year is below MGA400m are obliged to file a declaration of VAT liability with the department responsible for their tax files before the end of their financial year.

The liability takes effect from the beginning of the next fiscal year in terms of rights and obligations relating thereto.

### Voluntary registration

Any new entity may ask for the status of being VAT registered.

However, if the entity does not reach an annual gross revenue of MGA400m, the tax authority is able to deregister its VAT vendor status.



## Group and branch registration

Each independent legal entity has to get its own tax identification number and 'Carte Fiscale' 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 Fiscale' for the purpose of tax compliance obligations, including VAT obligations. A foreign company must register or open a branch if it wants to establish an operation in Madagascar.

## Non-residents

Any services performed in Madagascar are subject to VAT. Services are considered to be 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 a tax representative, the recipient is liable to account for VAT on behalf of the foreign supplier.

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, distinct from general tax registration in Madagascar. In practice, registration is completed on incorporation, but the 'Carte Fiscale' 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

Taxpayers cannot deregister separately for VAT. Tax deregistration only occurs with the winding up or liquidation of a business.

## Output tax

### Calculation of output tax

In the absence of information to the contrary, prices are deemed to be inclusive of VAT. 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:

- cost, insurance and freight (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
- value of invoices or partial payment for civil works.

### Exempt supplies

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

- scholarships for technical, professional and general studies, educational, brochures and scholarly books
- interest paid to the Public Treasury ('Trésor'), banks and financial institutions
- medicines and health services
- delivery to foreign diplomatic representatives, on condition of reciprocity
- newsprint, newspaper
- corrective lenses
- training costs borne by the Ministry of Technical Education and Professional Training
- the training costs incurred by the National Agency for Industry Development for its learning development operations
- the training costs organised by the chambers of commerce to their members
- imports of materials, equipment, vehicles specific and exclusively intended for research, exploration and development activities carried out by oil companies
- imports of semiconductor devices and/or photosensitive semiconductor devices, photovoltaic cells not assembled or assembled in modules or made up in panels
- imports of materials and equipment for cement plants
- sales and imports of hybrid motor vehicles
- imports of materials and equipment for renewable energy production



- sale of maize (local sale) and flour (locally manufactured)
- sale of edible oil manufactured by local industries
- import and sale of wheat, iodine and fluorine
- import and sale of medical materials, equipment and consumables
- subscription to life insurance contracts. Subscription to insurance contracts for small farmers subject to the synthetic tax regime.

## International transshipment of goods

The following operations also fall mainly outside the scope of the VAT system:

- salaries and any income received by majority managing partners of SARL as remuneration
- operations of the Central Bank of Madagascar
- operations of the 'Caisse d'Epargne'
- contributions in kind to the share capital of a Malagasy company interbank transactions in Malagasy ariary (MGA) on the money market.

## Zero-rated supplies

The zero rate is applicable only to the exportation of goods and 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 operations are supported by regular invoice
- VAT paid on the importation of goods required for normal operations of the taxpayer; and generally, VAT paid on taxable operations
- VAT paid on purchases of petroleum products for duly authorised hotels and restaurants, using generators, when their establishment is situated in a locality with no current power.

### Input tax expressly denied

Restrictions apply to the recovery of input VAT incurred on the purchase of the following:

- buildings, fixtures and fittings, other than for industrial, artisan, trading, hotel, restaurant, agriculture and mining activities
- furniture other than that for hotel or restaurant activities
- personal motor vehicles, unless they are used exclusively for renting or transporting for a fee
- any services linked to all the above

- energy costs not linked to exploitation food expenses for the consumption of the company petroleum products: Gasoline tourism, super fuel, gas oil, fuel oil.

## Partial exemption

Input tax can only be recovered to the extent that it is attributable to the registered business' taxable activity.

When a business makes a mixed supply of taxable and exempt supplies, only the input tax attributable to the taxable supplies is fully recoverable. Where the input tax 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 as the 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.

In practice, the Tax Administration accepts that services are considered as exported if payment of a related invoice is made within one month from the date of issuance. Exported services include also those services eligible under the free zone company regime, which are mainly quality control, data-processing, call centre and cinematographic services.

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 and all services performed in Madagascar. Services are considered to be performed in Madagascar when they are executed or consumed 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 made 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 output tax and input tax recorded during a period (monthly). Only VAT input on a regular invoice showing the VAT collected by the supplier can be credited against VAT output.

If output tax is not sufficient to offset input tax, 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 (online or physical deposit), no later than the 15th day of the following month. VAT must be paid via bank transfer.

## Interest and penalties

In case of a tax audit, the penalties range depending on the nature of the default:

- 10% of the tax due for any sale without invoice but regularly recorded in the account
- 40% of the tax due for any abusive deduction; for false declaration of taxable transactions
- 80% of the tax due for incorrect VAT deduction or unjustified VAT refund claim; for unjustified or incorrect VAT credits carried forward; for VAT deducted that does not appear on an invoice; for fictive invoice
- 150% of the tax due, in addition to penal sanctions for any sale without regular invoice, or sale invoiced but not regularly recorded in the accounting.

In case of voluntary regularisation, penalties for late payment are:

- -3p.100 of the amount payable for the first month and 1p.100 for the following months for taxpayers having a turnover more than MGA200m
- -2p.100 of the amount payable for the first month and 1p.100 for the following months for taxpayers having a turnover between MGA50m and MGA200m
- -1% of the amount payable for taxpayers having a turnover less than MGA50m
- The total interest payable must not be less than MGA2,000, any month started being due in full.

### Penalties for non deposit:

- -MGA200,000 for taxpayers having a turnover more than MGA200m (real regime)
- -MGA100,000 for taxpayers having a turnover between MGA50m and MGA200m
- -MGA20,000 for taxpayers having a turnover less than MGA50m.

Criminal penalties may also be imposed. Penalties can be mitigated in certain circumstances.

## Refunds

Free-zone enterprises and qualified exporters may obtain a VAT refund of a VAT credit that is directly attributable to their export activities. Credit lessor and normal companies with a VAT credit of more than MGA20m due to significant investments are also entitled to claim for a VAT refund.

Oil companies engaged in upstream activities may apply for reimbursement of tax credits generated by their local acquisitions of goods and by their imports of services specific to the oil sector in the research, exploration and development phases up to the commercial discovery of solid, liquid or gaseous hydrocarbons.

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.

The parties have five days to hold a contradictory debate. The tax inspector then issues a final notice with the perception title.

The taxpayer may request, or not, the opinion of the Tax Commission (CoFi):

- If a taxpayer requests CoFi's opinion:
  - The taxpayer has 15 days from the notice of the final notification accompanied with the perception title to file the request. CoFi has 30 days to issue its opinion. After obtaining CoFi's opinion, the tax Administration issues the final decision within 60 days.
- If a taxpayer does not request CoFi's opinion:
  - The taxpayer has 30 days from the notice of the final notification accompanied with the perception title to file a claim to the Tax Administration. The Tax Administration has 60 days to issue its final decision.

The taxpayer has 30 days from the final decision of the tax Administration to appeal to the Court (State Council).

## 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 three months.

## 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, address 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
- the total amount in words
- due date for the payment of the invoice
- 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 an 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')
- 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 ten 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. Output tax cannot be less than VAT applicable on the goods' net book value.

### Tourism industry

VAT on purchases of petroleum products for duly authorised hotels and restaurants using generators, when their establishment is situated in a locality with no current power, are deductible.

No special rules apply. The general rule is applicable with the exception that the Tax Administration accepts the calculation of 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, juices, beer, other fermented drinks, alcohol, whiskies and rum, tobacco, cigarettes and cigars, tourism vehicles, quads, motorcycles, internet and phone communication. The applicable rate depends on the nature of the goods or services and may be fixed or variable from 5% to 325%.

### Tax on transfer

A withholding tax (income tax for non-residents), at a rate of 10%, applies to any transfer of dividends from Madagascar to a non-resident entity or individual or transfer of revenue from Madagascar to other countries in remuneration of services performed by a non-resident entity or individual.

### Stamp duty

Since August 2008, no stamp duty is applicable.

### Royalties

Alcohol and alcoholic products, automatic devices, mineral water, advertising, water and electricity, parties, shows and various events, pylons, paid radio and television emissions, games, are subject to royalties.

### Special tax and duty

Alcoholic drinks, cigarettes and gambling games are subject to a special tax and duty.



# Malawi



## Contact details

Physical address	Top Floor, Hannover House, Corner Independence Drive and Hannover Street, Blantyre
Postal address	PO Box 1147
Tel	+265 1 820 322

## PwC contact

Andrew Vere	andrew.vere@pwc.com
Vyamala Moyo	vyamala.m.moyo@pwc.com
Hazel Chiwaya	hazel.chiwaya@pwc.com

## Introduction

VAT was introduced in Malawi on 1 October 2002 to replace surtax, and its imposition is the Value Added Tax Act.

The Malawi Revenue Authority administers VAT and the head of VAT administration is the Commissioner General.

## Rates and scope

VAT is levied at the standard rate of 16.5%. Zero-rated supplies are charged at 0%. Exempt supplies are not subject to VAT.

VAT is levied on:

- every supply of goods and services made in Malawi
- every importation of goods
- supply of imported service, other than exempt goods and services.

VAT will be paid:

- in the case of a taxable supply, by the taxable person making the supply
- in the case of imported goods, by the importer
- in the case of imported services, by the receiver of the services.

There are a few exempt and relief supplies that fall outside the scope of the VAT system.

## VAT registration

### Compulsory registration

A person is registrable if:

- he makes a taxable supply of goods or services or conducts a mining project and whose business turnover is or exceeds Malawian kwacha (MWK) 25,000,000 per annum ( $\pm$  USD25,000)
- he is a recipient of imported services whose value is, or exceeds, MWK25,000,000 per annum ( $\pm$  USD25,000).

A person who is not registered, but is liable to be registered, is a taxable person from the beginning of the tax period immediately following the period in which the duty to apply for registration arose.

A person must apply for registration within 30 days of becoming qualified or having reason to believe that he will qualify and upon the acquisition of an Electronic Tax Register.

The Commissioner General notifies a taxable person when registered and issues a certificate of registration which is exhibited at the principal place of business.

### Voluntary registration

Any business with a turnover below the registration threshold amount may apply for voluntary registration to the Commissioner General who shall notify the person when registered and issue a certificate of registration.

## 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.

## 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 was made.

The registration of a taxable person will be cancelled where the Commissioner General is satisfied that the registered person no longer carries on business. A registered person may also apply for deregistration when it no longer meets the requirements for registration.

Any deregistration will take effect from the end of the tax period in which the registration is cancelled.

## Output tax

### Standard rated supplies

The standard rate for VAT is 16.5 per cent, calculated on the value of taxable supplies or imported services.

Prices are normally quoted exclusive of VAT. However, in certain circumstances prices may be quoted inclusive of VAT.

### Exempt supplies

Supply of exempt goods and services is an exempt supply and therefore not subject to VAT. Exempt supplies are classified in conformity with the harmonised commodity description and coding system also known as 'The Harmonised System'.

Exempt supplies include specific items such as:

- live animals
- certain animal products
- vegetable products in a raw state
- petroleum products
- printed matter — books and newspapers
- other coins
- vehicles, other than railways, train way rolling stock
- mechanical appliances (whether hand operated or not) for projecting, dispersing or spraying liquids or powders
- electric motor vehicles
- aircraft and spacecraft
- Gas stoves
- 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
- wheat flour
- cycles
- machines for cleaning, sorting
- urinary drainage bags

### 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 (condoms)
- exercise books
- salt
- supply of a business as a going concern
- certain agricultural, horticultural, forestry and harvesting machinery
- goods for use in the tourism industry
- motor vehicles for transport of goods
- other furnishing articles
- buses with a seating capacity of 45 or more persons, including the driver
- military equipment
- building materials for factories and adjoining warehouses
- pharmaceuticals products
- miscellaneous chemical products
- poultry or chicken feed
- solar panels, solar batteries, solar accumulators, solar inverters, solar chargers, solar lamps, energy efficient bulbs and other accessories
- liquified petroleum gas, gas cylinders, and wood cook stoves
- laundry soap

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

At the end of the tax period a taxable person may deduct, from the output deductible due for the period, Value Added Tax on goods and services purchased in Malawi or goods and services imported by him or her and used wholly, exclusively and necessarily in the course of his or her business. The maximum period for claiming input tax is 12 months from the date the deduction accrued.

### Input tax expressly denied

Input VAT is not claimable in the following situations:

- where it relates to exempt supplies by the taxable person
- after the expiration of 12 months from the date 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
- 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 VAT claimed on transactions such as residential property expenses incurred by employers and security costs at residential properties is sometimes disallowed and penalties charged. The claiming of such input tax is not excluded by the VAT Act and no order for such 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).

- 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.

### Preregistration input tax

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 credit or refund of the VAT, provided that:

- the supply or input occurred not more than four months prior to the date of registration
- in the case of capital goods, the goods have been held for a period not exceeding six months from the date of registration.

### Post-registration input tax

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 and 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

### Supply

Supply of goods or service is any arrangement under which the owner of the goods parts with or will part with possession of the goods, including provision of goods by sale, barter, lease, transfer, exchange, gift, or similar disposition, and appropriation to own use.



## 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

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
- where the goods or services are supplied by way of gifts, the date on which ownership of the goods passes or performance of the services is completed.

In any other case, 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
- services are supplied or rendered
- payment is received
- the tax invoice is issued.

Where supplies are made on a continuous basis or by metered supplies, the time of supply shall be the determination of the supply or the first metre reading following the introduction of VAT and subsequently at the time of each determination or metre reading.

Supply of goods under a hire purchase agreement or financial lease occurs on the date the goods are made available under the hire purchase agreement or lease finance.

Where goods are supplied under a rental agreement or goods or services are supplied under an agreement or written law which provides for periodic payment, the goods or services shall be 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.

Where two or more payments are made or are to be made for a supply of goods or services, other than a supply to which each payment shall be regarded as made for a separate supply to the extent of the amount of the payment on the earlier of the date the payment is due or received.

Where the supply of goods or services is ancillary to another supply, time of supply of the ancillary supply shall be deemed to be the same as the time of supply for the main goods or services.

## 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
- 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.

## Supply of goods or services by an agent

Supply of goods or services made by a person as an agent for another person who is the principal is a supply by the principal.

However, it is provided that where a supply of goods or services is made by an agent, on behalf of the principal who is resident outside Malawi, the supply of goods or services shall be deemed to be made by the agent.

## 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.

### Penalties and interest

A taxable person who fails to submit to the Commissioner General a return on the due date is liable to a penalty of MWK300,000 (±USD400) for companies and MWK75,000 (± USD100) for individuals for the first month and a further penalty of MWK50,000(±USD65) for companies and MWK20,000 (±USD25) for individuals for each month or part thereof during which the failure continues.

A taxable person or withholding agent who fails to pay any value added tax payable by the due date shall be charged interest at the prevailing bank rate plus one-quarter of that rate for a month after the date on which it is payable.

Properly charged penalty and interest not paid by the due date shall attract further interest in the same manner as interest charged on the unpaid value added tax.

Any penalty and interest charged and remaining unpaid by the due date shall be recoverable as a debt.

There is no interest on delayed refunds by the authority.

Penalty and interest can be waived at the discretion of the Commissioner General on application and in the event of voluntary disclosure.

## 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 lodge an 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.

After hearing the appeal, and if the appellant is found to be entitled to any refund of value added tax, the interest shall be paid on the refund at the prevailing bank rate from the date of the judgement.

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 taxable person shall issue to customers an electronic tax register generated invoice or tax invoice in such form as prescribed and shall upon issuing an electronic tax register invoice, retain a copy of the tax invoice in a serial number order.

A proper tax invoice should include:

- name and address of supplier
- name and address of customer
- tax registration number
- description of supply
- the rate of VAT.

There are no specific rules regarding the language on tax invoices, however, 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 when:

- 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
- 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 registered person is required to keep the following records:

- value added tax account showing total output tax, total input tax and the amount of value added tax due or refundable for each month
- relevant business and accounting records, including sales and purchase journals, cash books, ledgers and other subsidiary books of accounts
- copies of all tax invoices issued



- all tax invoices received
- documentation relating to the importation and exportation of goods and services
- all debit and credit notes or other documents providing evidence of any increase or decrease in the value of goods and services purchased or sold by him
- such other records as the Commissioner General may specify.

These records and books of account must be produced at such place and time as the Commissioner General may require and 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 and the entitlement to claim and 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 of 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 authority must be notified within 30 days of cessation, sale, change of location, material change in the business or material change in ownership.

## Use of banks

The Commissioner General has entered into an agreement with several commercial banks in Malawi to receive value added tax payments on its behalf.

## 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.



# Mali



## Contact details

<b>Physical address</b>	<i>PwC does not have an office in Mali. PwC Côte d'Ivoire, based in Abidjan, offers consultancy services to foreign investors in Mali.</i> Imm. ITC, Bât D 3e étage, Angle rue Booker Washington – Blvd Hassan II, Cocody
<b>Postal address</b>	01 B.P. 3173, Abidjan 01, Côte d'Ivoire
<b>Tel</b>	+225 27 22 55 84 00, F: +225 27 22 55 84 69
<b>PwC contact</b>	
Dominique Taty	d.taty@pwc.com
Fousséni Traore	fousseni.traore@pwc.com
K.Richard Ouattara	richard.ouattara@pwc.com
<b>Website</b>	<a href="https://www.pwc.com/ci/en.html">https://www.pwc.com/ci/en.html</a>

## Introduction

VAT was introduced in Mali by the Law 90-115/AN-RM of 12 December 1990.

### Scope of VAT

VAT is charged on the supply of goods and services rendered or used in Mali, subject to the exemptions list. All economic activities fall within the scope of VAT, including the activities of independent professionals (lawyers, chartered accountants etc.), except for banking activities for which a specific tax applies.

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 Mali), plus any excise duties.

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

Input tax on some goods and services listed by the tax rules is not recoverable.

Circular letter No. 95-017/MFC-SG of 27 November 1995 instituted VAT withholding at source by some structures specifically designated by the Minister of Finance.

### Rates applicable

To date, the standard VAT rate is 18%.

Reduced rate: 5% for some goods provided by the law.

### Registration threshold

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

In Mali, there is a single tax identification number that taxpayers must use to fulfil all their obligations regarding all taxes. However, it is important to note that the persons authorised to invoice VAT must be either natural persons or corporate/commercial entities realising an annual turnover before tax equal to, or more than, XOF50 million (EUR76 224.50).

Businesses with lower turnover do not collect VAT. As such, they are not allowed to deduct VAT borne of their purchases.

Non-residents performing taxable transactions in Mali must appoint a representative domiciled in Mali and accredited by the tax authority to comply with VAT diligences and payment. In case of failure, the VAT and where applicable, the penalties relating thereto, shall be due by the beneficiary of the taxable service.

Where a taxpayer is not domiciled in Mali, he must have a representative domiciled in Mali accredited with a tax department, who undertakes to complete taxpayers' obligations.

# Mauritius



## Contact details

Physical address	PwC Centre, Avenue de Telfair, Telfair 80829, Moka, Republic of Mauritius
Postal address	PwC Centre, Avenue de Telfair, Telfair 80829, Moka, Republic of Mauritius
Tel	+230 404 5000

## PwC contact

Dheerend Puholoo	d.puholoo@pwc.com
Shafeenaz Molotoo	shafeenaz.molotoo@pwc.com
Hannah Hosanee	hannah.x.hosanee@pwc.com
Website	www.pwc.com/mu

## Introduction

VAT was introduced in Mauritius in September 1998 as a replacement for sales tax. The VAT system has been designed as a simplified model with the aim of eliminating undue reliance on the government's budget revenue derived from import taxation. Mauritius' VAT mechanism is governed by the Value Added Tax Act 1998 and the Value Added Tax Regulations 1998.

## Scope of VAT

Value added tax (VAT) is a tax on goods and services. VAT is charged on the supply of goods or services made in Mauritius where it is a taxable supply made by a taxable person in the course or furtherance of any business carried on by them.

Supply means:

- in the case of goods, the transfer for a consideration of the right to dispose of the goods as the owner
- in the case of services, the performance of services for a consideration.

A taxable supply is made when a taxable person, in the course or furtherance of their business, makes:

- a supply of goods in Mauritius
- a supply of services that is performed or utilised in Mauritius.

A taxable supply includes a supply which is zero-rated but excludes an exempt supply.

A taxable person relates to any person who is required to be registered compulsorily for VAT purposes and includes a registered person.

A person means an individual, company, société, trust, economic entity or similar organisation, club or association, Ministry or Government department and any local authority.

A registered person means a person who is registered compulsorily or voluntarily for VAT purposes.

VAT on any taxable supply is a liability to the taxable person making the supply and is due at the time of the supply.

## VAT rates

### Taxable supplies – 15%

The standard rate of VAT in Mauritius is 15%. The rate applies to all standard rated supplies of goods and services.

A taxable supply includes a supply which is zero-rated, but it does not include an exempt supply.

### Zero-rated supplies – 0%

Items of zero-rated supplies are listed under the Fifth Schedule to the VAT Act. A zero-rated supply of services is a service rendered to a person who belongs in a country other than Mauritius and who is outside of Mauritius at the time the service is performed.

Some examples of such supplies include, among others:

- exports of goods from Mauritius under Customs

control and export of services from Mauritius

- certain goods and services which are supplied on the local market (see section on zero-rated supplies).
- No VAT is charged on zero-rated supplies, but they are considered as part of taxable supplies.

## VAT registration

### Compulsory registration

The VAT Act states that a company is required to register for VAT if the annual turnover of its taxable supplies exceeds or is likely to exceed Rs6m (approx. USD150,000).

Some persons as listed in the Tenth Schedule to the VAT Act are also required to compulsorily register for VAT irrespective of their turnover, for example:

- accountant and/or auditor
- advertising agent
- adviser including investment advisor and tax advisor
- architect
- attorney and/or solicitor
- consultant including legal consultant, tax consultant, management consultant and management company other than a holder of a management licence under the Financial Services Development Act 2001
- engineer
- estate agent
- land surveyor
- notary
- quantity surveyor
- agent in the importation of second-hand cars or other motor vehicles
- banks.

However, where the turnover of a company is made up exclusively of zero-rated supplies or zero-rated and exempt supplies, the company is not compulsorily required to register for VAT.

Any taxable person who does not apply for compulsory registration shall be liable to pay a penalty of Rs5,000 for every month or part of the month from the taxable period in respect of which they are liable to be registered as a registered person up to the month immediately preceding the month in which the application for registration is submitted. The penalty is capped at Rs50,000.

### Voluntary registration

Any person who makes taxable supplies not exceeding Rs6m (approx. USD150,000) in the course and furtherance of their business, may apply to the Mauritius Revenue Authority (MRA) for voluntary registration as a registered person.

### Certificate of registration

Upon registration (compulsory or voluntary), the MRA will allocate to the person a VAT registration number and issue them a certificate of registration.

### Group or branch registration

No such regulations have been issued to date in Mauritius.

### Non-residents

A non-resident person under the Mauritius VAT Act, in the case of an individual, means a person whose permanent place of abode is outside Mauritius and who is outside Mauritius at the time the services are supplied.

In the case of any other person, a non-resident:

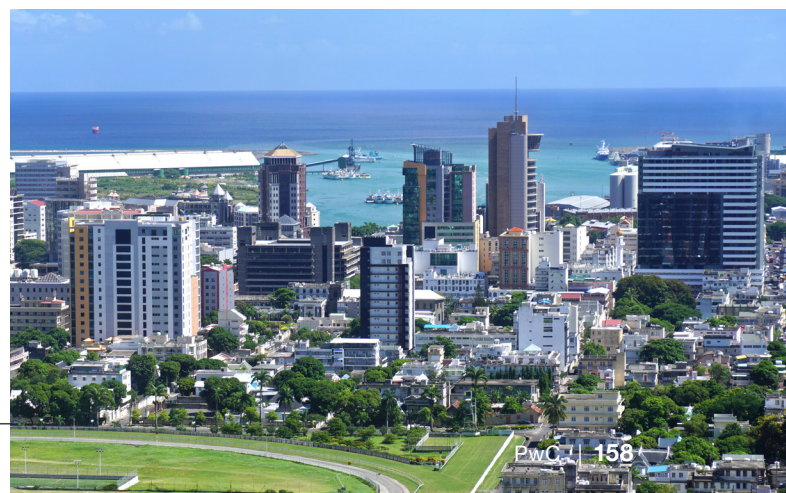
- means a person whose centre of economic interest is located outside Mauritius, and
- includes a company incorporated in Mauritius in so far as its banking transactions carried out through a permanent establishment outside Mauritius are concerned, but
- does not include a company incorporated outside Mauritius in so far as its banking transactions carried out through a permanent establishment in Mauritius are concerned.

### Application for registration

A non-resident person will be required to be registered for VAT if they derive income from activities being conducted in Mauritius and either their turnover exceeds the VAT registration threshold or they fall within the persons listed in the Tenth Schedule to the VAT Act.

### Deregistration

A VAT registered person may deregister upon cessation of business or if their annual taxable turnover becomes less than Rs6 million.



## Input VAT

### Input tax allowed

Any taxable person may take as a credit against its output tax in any taxable period, the amount of input tax allowable to them during that period.

Input tax is deductible where:

- a valid original VAT invoice or a certified copy of such invoice has been obtained from suppliers legally authorised to charge VAT or a valid customs entry and receipt have been obtained
- it relates to taxable supplies and is not an item for which input tax is specifically denied
- the input tax has been suffered in Mauritius
- the time period for claiming input tax has not yet expired (within 36 months).

### Input tax expressly denied

No input tax is allowed as a credit in respect of items such as:

- goods or services used to make an exempt supply
- motor cars and other motor vehicles for the transport of not more than nine persons including the driver, motorcycles and mopeds, for own use or consumption, and their spare parts and accessories
- accommodation or lodging, catering services, receptions, entertainment, and the rental or lease of motor cars and other specified vehicles for own use or consumption
- maintenance or repairs or petroleum gas used in connection with motor cars and other vehicles specified above
- petroleum oils and other oils except fuel oils, oils or preparation used for resale, gas oils for use in stationary engines, boilers and burners
- goods and services used by banks holding a banking licence under the Banking Act 2004 for providing banking services other than to non-residents and corporations holding a global business licence under the Financial Services Development Act 2001
- banking services provided by banks holding a banking licence under the Banking Act 2004 other than to non-residents and corporations holding a global business licence under the Financial Services Development Act 2001.

### Input VAT allowed in proportion

Where a registered person makes fully taxable supplies (i.e. standard and zero-rated supplies), it should be able to recover the full amount of input VAT according to the VAT Act.

Also, where goods or services are used to make both taxable supplies and exempt supplies, the credit in respect of those goods or services shall be allowed in the proportion of the value of taxable supplies to total turnover.

### Preregistration or post-deregistration VAT

#### Preregistration

A person may take a credit for input tax on the goods forming part of their trading stocks and capital goods (being plant, machinery or equipment of a capital nature), provided these were acquired within a period not exceeding three months immediately preceding the date of their registration.

#### Post deregistration

Where the registration of a registered person is cancelled the person must:

- cease to hold themselves out to be a registered person
- submit a return and pay the tax due, including tax on any capital goods exceeding Rs100,000 forming part of the assets of the business
- immediately return to the MRA their certificate of registration and all its copies.

Where the registration of a person is cancelled and the return for the last taxable period of that person shows an excess of input tax over output tax, the excess of input tax over output tax will not be refundable.

### Is there recovery of VAT by non-residents?

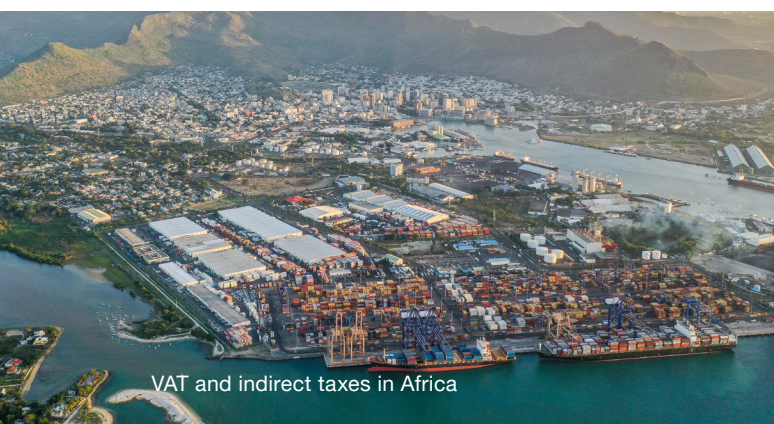
Where VAT paid supplies of taxable goods are made to a visitor, an approved person or the MRA will refund to the visitor the VAT paid on the goods, after deducting specific administrative charges.

A visitor means a person holding a foreign passport and a valid ticket for travel by air or sea to a foreign airport or port.

## Output tax

### Brief description of 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.



VAT and indirect taxes in Africa

## 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:

- goods such as breakfast cereals, common salt other than common salt produced in Mauritius, journals and periodicals, among others
- veterinary services and services provided in a residential care home
- educational services and training services approved by the Mauritius Qualifications Authority
- financial services such as banking services, services provided by foreign exchange dealers and money changers, services provided by a subsidiary of the Bank of Mauritius, the management of investment funds and of pension funds, amongst others.

## Zero-rated supplies

A zero-rated supply is treated as a taxable supply and no VAT is charged on such supply.

- Zero-rated supplies include, but are not limited to:
- goods exported from Mauritius under customs control
- goods such as rice, wheat flour and wheat bran, bread, edible oils, margarine and butter, sugar, sugar cane, molasses and bagasse, tea, honey, spices, fertilisers, common salt, fish, among others
- the supply of goods or services provided that the goods and services so supplied are meant wholly and exclusively for the freeport activities of the licensee whose business premises are located in a freeport zone
- the supply of services to a person who belongs in a country other than Mauritius and who is outside Mauritius at the time the services are performed
- chilled deep-sea water used for the provision of air conditioning services
- CCTV camera systems, including CCTV digital video recorders
- medical, hospital and dental services, including clinical laboratory services and services provided in a health institution
- protective masks, breathing appliances and gas masks, hand sanitisers.

## Advertising prices

Where goods are advertised or promoted, the retail price should be inclusive of VAT, together with the words 'VAT INCLUSIVE'. In the case where VAT is not chargeable on the goods, the selling price of the goods should indicate the words 'VAT NIL'.

## International trade

### Goods

The term 'import' under the Mauritius VAT Act means to bring or to cause to be brought into Mauritius.

A person who imports goods, other than goods which are exempt from VAT under the First Schedule to the VAT Act or which are zero-rated, has to pay VAT on those goods.

VAT is charged at the rate of 15% on the value of goods imported. The value of goods imported includes:

- the customs value of the goods
- the customs duty and excise duty payable on the goods
- the MID levy
- the CO<sub>2</sub> levy

the levy on energy consumption.

Note that no VAT is payable on goods imported into a freeport zone. Where a company in the freeport zone makes a taxable supply to a person operating outside the freeport zone, such supply is considered as an import of goods and is subject to VAT.

### Services

There is no specific legislation governing VAT on import of services. However, Section 14 of the VAT Act governs the reverse charge mechanism on the supply of services received from abroad.

Where a person who does not belong in Mauritius and is not VAT registered makes a taxable supply of services which are performed or utilised in Mauritius, to a registered person, then all the same consequences shall follow under the VAT Act as if the registered person had themselves supplied the services in Mauritius and that supply were a taxable supply.

An export of services includes a supply of services to a person that belongs in a country other than Mauritius and who is outside Mauritius at the time the services are performed.

A person is considered as belonging in a country other than Mauritius if they:

- have no permanent establishment in Mauritius for conducting their business
- have their place of abode outside Mauritius.



## Place, time and value of supply

### Place of supply

There is no specific legislation in the VAT Act governing place of supply. However, the place of supply would be determined by reference to the place where the goods or services are being used or consumed.

Where goods or services are being used or consumed in Mauritius, the place of supply would be Mauritius.

### Time of supply

A supply of goods or services shall be deemed to take place, at the earlier of

- the time an invoice or a VAT invoice in respect of that supply is issued by the supplier
- the time payment for that supply is received by the supplier.

### Value of supply

If the supply is for a consideration in money, the value is taken to be such amount, including the VAT chargeable.

Where a supply does not consist (or does not consist wholly) of money or is not made in the course of an arm's length transaction, the value of the supply is taken to be the open market value of the supply. The open market value of the supply would be the value of the supply had it been made under normal commercial terms.

The value of any taxable supply is required to be expressed in Mauritian currency.

## VAT compliance

### Accounting basis and tax period

Accounting year is defined under the VAT Act as follows:

- in the case of a company, a period of 12 months ending on the date of the end of its accounting period
- in any other case, a period of 12 months ending on 30 June.

A taxable period, in relation to a taxable person, means:

- in the case where their annual turnover exceeds Rs10m, a month or part of the month
- in any other case, a quarter or part of the quarter.

## Returns and payment of VAT

At the end of its taxable period (either monthly or quarterly), a VAT registered person must submit a VAT return to the MRA specifying the following:

- the amount of output tax payable
- the amount of input tax allowable
- the value of all taxable supplies made by them
- the value of goods imported and the value of all taxable supplies made to them
- any amount of solidarity levy payable.

Where a registered person is required to submit monthly VAT returns, they must also submit electronically a list of taxable supplies made to any person, other than supplies by retail, showing the invoice number and value of supply.

### Interest and penalties

If a VAT registered person does not submit their VAT return by the due date, a penalty of Rs2,000 per month (or part of the month) is payable until the return is submitted to the MRA. The penalty for late submission is capped at Rs20,000. Where the company is a small enterprise, the penalty is capped at Rs5,000.

Late payment of tax carries a penalty of 10% of the tax liability. Where the company is a small enterprise, the penalty for late payment of tax is reduced to 2% of the tax liability.

Interest on tax unpaid is at the rate of 1% per month from the date the tax remained unpaid up to the date of payment. Where an amount has been refunded in excess, the interest shall be at the rate of 1% per month from the date of the repayment up to the date of payment of the amount claimed.

Where the tax authorities find out that a registered person has carried forward an excess amount of input tax, a penalty of 20% of the amount over-claimed is applicable (capped at Rs100,000) and the penalty is deemed to be output tax and is included in the person's next VAT return.

Where the tax authorities find out that a registered person has claimed repayment in respect of an input VAT amount overclaimed, a penalty of 20% of the amount overclaimed is applicable (capped at Rs200,000).

### Refunds

VAT credits are usually carried forward to offset against future VAT liabilities.

However, where a registered person is mainly engaged in making zero-rated supplies and their return shows an excess amount, they may make a claim for repayment of the whole excess amount. A person is considered as mainly engaged in making zero-rated supplies where at least 80% of their annual turnover relates to zero-rated supplies.

## Repayments

A repayment of tax is also available where a registered person has an excess amount of input tax that includes input tax exceeding Rs100,000 on:

- capital goods such as buildings or structures, including extensions and renovations, plant and machinery or equipment, of a capital nature
- intangible assets of a capital nature being —
  - Goodwill on the acquisition of a business or part of a business.
  - Computer software, patents or franchise agreements.

A repayment is required to be processed within 45 days where:

- a person has made a claim for repayment in respect of capital goods
- a person claiming a repayment has submitted all invoices, documents and information requested relating to the claim.

## Assessments, objections and review of assessments

### Objections and appeals

Tax authorities may make an assessment (by way of written notice) of the tax due and payable or the excess amount to be carried forward in situations where:

- a taxable person fails to register for VAT
- a person fails to submit their VAT return
- a person fails to keep proper records
- a person wrongly benefits from a repayment of tax
- a person fails to remit to the tax authorities any VAT charged on any supply made by them
- a person fails to furnish information, or to produce books and records or to provide access to computers and other electronic devices to the tax authorities.

Where a person is not agreeable to an assessment made by the tax authorities, they may lodge an objection within 28 days of the date of the notice and pay 10% of any amount claimed in the assessment. The notice of objection must clearly specify the grounds of objection, the amendments to be made to correct the decision and the reason for the amendments.

After considering the objection, the tax authorities will:

- disallow or allow it, in whole or in part
- determine the objection
- where appropriate, amend the assessment accordingly.

The tax authorities will then give a notice of determination to the person under assessment.

If the person is aggrieved by the decision of the tax authorities, they may lodge an appeal to the Assessment Review Committee (ARC). At the ARC level, the person may reach an agreement with the tax authorities by conducting informal meetings.

Otherwise, the case is heard before the Chairman of the ARC.

Where a person is still not satisfied by the decision of the ARC, they may reach out to the Supreme Court of Mauritius or to the Privy Council of the United Kingdom, which is the final court of appeal in Mauritius.

The tax authorities in Mauritius have equally set up an Alternative Tax Dispute Resolution (ATDR) Panel to resolve tax disputes. The ATDR acts as a third party to determine the dispute. The following conditions are applicable for review under ATDR:

- the amount of tax payable under dispute should exceed Rs10m
- the applicant must have —
  - objected to the assessment
  - lodged representations at the ARC
  - appealed to the Supreme Court/Judicial Committee of the Privy Council.
- the grounds of dissatisfaction should be the same as those in the notice of objection/notice of appeal
- the applicant should not have been convicted of an offence or should not be the subject matter of an enquiry relating to trafficking of dangerous drugs, money laundering, financing of terrorism or corruption

The application is referred to the ATDR Panel within one month of receipt. The decision of the ATDR is finalised in less than six months from the date the application is referred to the panel.

### Time limits

Except in cases of wilful neglect, evasion or fraud, a person is not required to furnish information or to produce any books or records after five years immediately following the last day of the taxable period in which any related transaction took place.

## Withholding VAT

### Appointment of withholding VAT agents

There is no withholding VAT agents concept in Mauritius.

### Withholding VAT exemption

There is no withholding VAT exemption concept in Mauritius.

## Withholding compliance

There is no withholding VAT in Mauritius.

## Refunds

There is a time limit for refunds due to persons in residential buildings, houses or apartments.

Where the tax authorities are satisfied that a person above is entitled to a refund, the MRA will process the refund within 30 days of the date of receipt of the application. Where the refund is processed after three months of the application, the refund should carry interest, free of income tax, at the Repo rate determined by the Bank of Mauritius.

## VAT record-keeping

### Tax invoices

A VAT invoice must be issued by any registered person who makes a taxable supply. A VAT invoice should specify all of the following:

- the words 'VAT INVOICE' in a prominent place
- their name, business address, VAT Registration Number and business registration number
- its serial number and date of issue
- the quantity and description of the goods or the description of the services
- the value of the supply, indicating whether the value is subject to VAT or not
- where the value of the supply is subject to VAT—
  - the value of the supply
  - the amount of VAT chargeable and the rate applied
- where the purchaser is a registered person, the name, business address, business registration number and the VAT Registration Number of the purchaser
- where the purchaser is a person in business, the name, business address and business registration number of the person.

Where a person issues a VAT invoice, they must keep legible copies of the invoice, electronically or otherwise, for a period of at least five years after the transaction is completed.

### Record-keeping

A registered person must keep a full and true written record in French or in English (electronically or otherwise) of every transaction they make in the course of their business. The record should be kept for a period of at least five years after the completion of the transaction to which it relates.

## Specific VAT rules

### Banking industry

Banks holding a banking licence under the Mauritius Banking Act 2004 in respect of their banking transactions other than with non-residents and corporations holding a Global Business Licence (GBL) are compulsorily required to be registered for VAT.

No input tax is allowed on goods and services used by banks for providing banking services as well as on banking services provided by banks other than to non-residents and corporations holding a GBL.

The special levy applicable on banks is now governed by the VAT Act, instead of the Income Tax Act. Effective for the accounting period ending on or after 1 January 2019 and every subsequent accounting period, banks are subject to a special levy on their leviable income<sup>1</sup> at the following rates:

- 5.5% in the case of a bank having a leviable income of not more than Rs1.2bn
- 4.5% in the case of a bank having a leviable income of more than Rs1.2bn.

The special levy is payable to the MRA within 5 months from the end of the bank's accounting period. A penalty of 5% is applicable on late payment of levy, together with interest at the rate of 0.5% per month or part of the month during which the levy remains unpaid.

### Sale or transfer of immovable property and land

The sale or transfer of an immovable property, a building or part of a building, apartment, flat or tenement is an exempt supply where it is made:

- for residential purposes
- for any other purposes except land with any building, building or part of a building, apartment, flat or tenement together with any interest in or right over land, sold or transferred by a VAT registered property developer to a VAT registered person.

### Deferred payment of VAT at importation

The payment of VAT at importation on capital goods, being plant and machinery, imported by a VAT registered person, can be deferred under Section 9A of the VAT Act.

Effective 1 October 2018, a VAT registered person is not required to pay VAT on importation of capital goods at Customs if:

- the VAT payable on the capital goods at the time of importation is Rs150,000 or more

<sup>1</sup> Leviable income is the sum of net interest income and other income before deduction of expenses, arising from transactions with residents other than companies holding a GBL.

- the capital goods are to be used solely in the course of, or for the furtherance of, the VAT registered person's business.

Where the payment at importation has been deferred, the VAT registered person must declare the deferred VAT as being output tax in their VAT return for the taxable period in which VAT is deferred. The deferred output tax is deemed to have been paid.

## Refund of VAT to event organisers

An event organiser registered with the Economic Development Board (EDB) may apply for a refund of VAT incurred in respect of accommodation costs incurred by visitors attending a qualifying event.

A qualifying event means a business meeting, conference or wedding attended by 100 or more visitors staying for a minimum of three nights in a hotel in Mauritius.

Subject to the application being in order, the MRA shall process the refund within 30 days of the date of receipt of application.

## Other indirect taxes

### Import duties

Import duty is imposed on goods imported into Mauritius. The rate will depend on the type of good as set out under the Integrated Tariff schedule to the Customs Act 1988. The import duty rates range from 0% to 30%.

### Excise duties

Excise duties are governed by the Excise Act 1994 and are imposed on excisable goods, as defined under the First Schedule to the Act. Excise duty must be accounted for on certain manufactured goods, including alcoholic and non-alcoholic beverages, soft drinks, water and juices, milk, tobacco, firecrackers and motor vehicles.

### Liability to VAT on digital or electronic services

The Finance Act 2020 introduced a new section on the liability to VAT on digital or electronic services. VAT is chargeable on any digital or electronic service supplied by a foreign supplier to a person in Mauritius. The conditions governing this new provision are yet to be prescribed through the VAT Regulations.

A foreign supplier means a person who:

- has no permanent establishment in Mauritius
- has their place of abode outside of Mauritius
- supplies, in the course of their business, digital or electronic services to a person in Mauritius.

Digital or electronic services include any service supplied by a foreign supplier over the Internet or an electronic network which is reliant on the Internet or which is dependent on information technology for its supply.

### Notice of appointment by appointed person

This section has been introduced in the Finance Act 2020. Effective 7 August 2020, when an administrator, receiver or liquidator, is appointed to manage or wind up the business of any taxable person, the former shall give notice of their appointment to the MRA within 15 days of appointment.



# Morocco



## Contact details

Physical address	Tour CFC, 19e Étage, Casa-Anfa, Casablanca
Postal address	CFC Lot 57 Casa Anfa Quartier, Casablanca, 20100
Tel	+212 661 514 463

## PwC contact

Mahat Chraibi	mahat.chraibi@pwc.com
Noureddine Marzouk	noureddine.marzouk@pwc.com
Website	www.pwcmaroc.pwc.fr

## Introduction

VAT was introduced in April 1986 to replace the tax on turnover that had been in force from 1982.

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 to take place in Morocco and thus to be subject to VAT if the goods sold are delivered in Morocco. The sale of services is considered to take place in Morocco and thus to be subject to VAT if the services sold are consumed or used in Morocco.

## Rates and scope

### Rates

The standard rate of VAT is 20%.

Lower rates of 7%, 10% and 14% apply to specifically designated operations.

Starting from FY23, operations carried out by lawyers, interpreters, notaries, bailiffs and veterinarians are subject to VAT at the standard rate of 20%, instead of 10% according to the Finance Act 2023.

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.

Regarding services, transactions are considered to take 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 either be 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 regarding VAT.

The registration must be done within 30 days from starting the activity or incorporating the entity.

## Non-residents

Non-resident companies that are performing taxable activities in Morocco should appoint a tax representative therein in order to handle their VAT obligations (VAT return filing and payments).

As from 1 January 2014, a Moroccan taxpayer can report their foreign suppliers' VAT on their own VAT returns (reverse-charge mechanism).

## Application for registration

A tax return must be filled with the relevant local tax authorities.

## Deregistration

Deregistration is not possible where there is compulsory liability for VAT.

For non-resident entities that cease to perform taxable operations in Morocco, the tax representative should file a request for deregistration with 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.

## Exempt supplies (without deduction right)

Exempt supplies include supplies of the following goods or services:

- milk, sugar, bread, cereals
- fiscal stamps
- newspapers, books, movies, documentaries
- interest on government loans
- recovered metals.

The Finance Act 2023 extended the exemption without the right to deduct sales and services provided by manufacturers and service providers, within the limit of 500,000 MAD to regulated professions: Lawyer, interpreter, notary, adel, bailiff, architect, quantity surveyor, geometer, topographer, surveyor, engineer, consultant, expert in any matter, chartered accountant and veterinary.

## Zero-rated supplies (exemption with deduction right)

Zero-rated supplies include supplies of the following goods or services:

- goods and services exportation
- certain agricultural equipment supplied under prescribed circumstances.
  - As from 2023, the benefit of this exemption is subject to the completion of the formalities provided for by regulation in the decree issued for the application of the VAT.
- investment goods recorded as fixed assets in the company's books and acquired during the first 36 months of company activity
- goods and services rendered to industrial acceleration zones
- activities related to hydrocarbon operations
- military devices, equipment, weapons, ammunition, as well as their parts and accessories, acquired by the authorities in charge of national defence and the agencies in charge of homeland security.
- the products and materials used in the manufacture of photovoltaic panels acquired by the manufacturers of said panels, listed below:
  - Photovoltaic cells
  - Solar glass
  - Corners of plastic panels
  - Polyolefin encapsulating films
  - Ribbon used to connect photovoltaic cells
  - Junction boxes with cables
  - Silicone for junction boxes
  - Flux for soldering photovoltaic cells
  - Hook and support structure of the panel
  - Panel frame.

## Input tax

### Input tax allowed

Individuals and companies that are subject to VAT may deduct the input tax incurred on the purchase of goods and services that are needed 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 that relate to promotions, such as gifts to clients, etc.
- VAT levied on purchases, services and benefits paid in cash if the amount exceeds MAD5,000 per day and per supplier, limited to MAD50,000 per month and per supplier.

## Partial exemption

Where goods or services are acquired for making both taxable and exempt supplies without credit or out of the scope of VAT, the input tax incurred must be apportioned.

The standard method for calculating the apportionment is the turnover-based method.

## Adjustments for 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, 20% of the difference between the two deductions calculated on the current and the new proportions basis should be transferred.

## Non-conservation of immovable assets

In case immovable assets are not retained for a ten-year period, the beneficiary of VAT deductions must repay the VAT to the Moroccan tax administration at the rate of one tenth per year remaining until the end of the five-year period.

Where immovable assets are acquired more than ten years before the transfer, no VAT is due by the seller to the Moroccan tax administration.

## Preregistration or post-deregistration VAT

Not applicable.

## International trade

### Imports

#### Goods

VAT is payable on the importation of goods, except where a specific exemption applies.

The Finance Act 2021 exempts from import VAT frozen beef and camel meat imported by the Royal Armed Forces or on their behalf.

“ The Finance Act 2023 exempts from VAT on importations, simple food intended for the feeding of livestock and farmyard animals from January 1, 2023 until December 31, 2023.

Noureddine Marzouk, Director, Tax and Legal Services, PwC Morocco

### 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 abroad.

#### Refunds to foreigners

VAT charged on goods bought by non-resident individuals (tourists) may be refunded (value exceeding MAD 2000 including VAT).

## Place, time and value of supplies

### Place of supply

The sale of goods is deemed to have taken place in Morocco if the delivery takes place in Morocco.

The sale of a service is deemed to have taken place in Morocco if such service is used in Morocco.

### Time of supply

In general, deductible VAT can be declared once the related payable amount has been paid to the debtor (VAT must be recovered within one year). 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. upon 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.

## VAT compliance

### Value of supply

VAT is levied on the invoiced amounts.

### Accounting basis and tax period

VAT is normally accounted on an accrual basis. Tax periods consist of one month or three months:

- monthly for taxpayers whose annual taxable turnover equals or exceeds MAD1m, as well as for persons not established in Morocco and performing taxable operations
- quarterly for taxpayers with an annual taxable turnover under MAD1m, or who perform seasonal or occasional activities. New taxpayers are also subject to this provision for their first year 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 (on the digital platform SIMPL no later than the end of the concerned month).

However, if the taxable turnover of the previous calendar year equals or exceeds MAD1 million, VAT returns must be prepared on a monthly basis, and the VAT return for each month must be e-filed with the tax authorities no later than the end of the following month. The same rule applies to non-resident taxpayers.

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

In case of a late tax return the following penalties apply:

- 5% penalty where the tax return is submitted within 30 days following the legal deadline, or in case of a corrective return
- 15% penalty where the tax return is submitted after the above-mentioned 30 days
- 20% penalty in case of automatic taxation due to non-filing of a tax return.

In case of late tax payment, the following penalties apply:

- 20% penalty in case of non-payment or late payment
- 5% interest for the first month of late tax payment
- 0.5% interest for the following months.

### Refunds

Input tax may be carried forward to offset output VAT for a limited period of one year.

However, a VAT refund is limited to some operations provided by law only, such as exports.

To obtain a reimbursement for input tax in qualifying cases, a request must be submitted before the expiration of the one-year debarment deadline.

The Moroccan tax code also provides for refund of VAT on equipment (excluding cars and office furniture).

### 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.

In case of VAT credit imputed on VAT of the first year not time barred, the corrections may go back to four additional years. However, the correction cannot exceed the amount of VAT credit.

## VAT records

### Tax invoices

A regular invoice should mainly include the following elements:

- invoice number
- vendor identity
- tax IDs
- ICE (unified tax ID)
- 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
- social security ID.

### Credit notes and debit notes

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

Taxpayers must keep VAT records for a period of ten years.





## Specific VAT rules

### Bad debts

Output tax on bad debts could be claimed by the tax authorities unless a court judgement decides that the debts are irrecoverable.

### 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 tax on promotional gifts cannot be recovered.

### Secondhand 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 the intangible elements of a business as a going concern is out of the scope of VAT. However, any merchandise or movable asset 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, import VAT and a special tax on importation called Taxe Parafiscale à l'Importation (TPI) (para-fiscal import tax).

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, 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, the TPI applies. A TPI rate of 0.25% is 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



## Contact details

Physical address	Avenida Vladimir Lenine, 174, 4º andar, Edifício Millennium Park, Maputo
Postal address	Caixa Postal 796, Maputo, Mozambique
Tel	+258 21 307 620

## PwC contact

Ahmad Essak	ahmad.essak@pwc.com
Orlanda Niquice	orlanda.niquice@pwc.com
Adriano João	adriano.joao@pwc.com
Website	www.pwc.com/mz

## Introduction

VAT (Imposto sobre o Valor Acrescentado – IVA) was introduced in Mozambique in 1998 through Law no. 3/98 of 8 January 1998 and Decree no. 51/98 of 29 September 1998, approving the first VAT Code in Mozambique.

Due to the approval of the 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 VAT Code (Código do Imposto sobre o Valor Acrescentado or CVAT), approved by Law no. 32/2007, of 31 December 2007, which replaced Decree no. 51/98 of 29 September 1998, further amended by Law no. 3/2012, of 23 January 2012 and by Law no. 13/2016, of 30 December 2016 and recently amended by Law no. 22/2022 of 28 December, which came into force on 01 January 2023, together with its regulations approved by Decree no. 7/2008 of 16 April 2008 (RCVAT) and further amended by Decree no. 4/2012, of 24 February 2012 and Decree no. 8/2017, of 30 March 2017.

## Rates and scope

The Mozambique standard VAT rate is 16%. Certain goods or services are charged at 0%. However, there are cases where VAT is not due on the full price, leading to lower effective rates, namely:

- public works for the construction or rehabilitation of roads and 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%
- services of which the price is determined based on aeronautic excises – 85%
- water (price is established by authorities) – 75%.

A reduced rate of 5% has been introduced and is only applicable to the following operations:

- the supplies of medical and health services and closely related operations carried out by private hospitals, clinics, dispensaries and similar
- the provision of teaching services, as well as the transmission of goods and related supplies of services, when these are carried out by private establishments integrated in the National Education System and recognised by the Ministry of Education
- the provision of vocational training services as well as the transfer of goods and the provision of related services, such as the supply of accommodation, food and teaching materials, when these are carried out by private entities
- the provision of services consisting of private lessons taught on school or higher education subjects.

## VAT registration

VAT is levied on the following:

- 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 or an importation, including the supply of free services provided 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
- 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)
- any person who unduly charges VAT on an invoice
- 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.).

### Compulsory registration

All corporate or individual entities carrying out taxable economic activities are obliged to register with the competent tax department before starting with their activities.

### 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 a permanent establishment in Mozambique that carry out transactions in the national territory should appoint a resident tax representative to comply with the respective VAT obligations.

The appointment of the tax representative is made through a Power of Attorney in which the non-resident company grants the tax representative power to comply, on its behalf, with VAT obligations in Mozambique.

The tax representative should then obtain a Tax Representative Number (NUIT) for the non-resident company and declare the commencement of activities by completing the following tax forms M/01C and M/02 respectively.

The legal representative and the non-resident entity are severally liable to the tax authorities.

Should the non-resident entity fail to appoint a tax representative in Mozambique, the purchaser of the goods or the recipient of the services must comply with the VAT obligations.

### Application for registration

Tax registration is done by completing and submitting to the tax authorities form M/01C — 'Declaration of registration of companies' to obtain a NUIT and form M/02 — 'Declaration of commencement of activity for tax purposes'. The forms must be submitted 15 days prior to the commencement of tax activities.

The Tax Registration Number normally comprises nine or ten numerals and is called NUIT (Número Único de Identificação Tributária). It is also the tax number for all taxes (direct and indirect).

### Deregistration

Deregistration is done by submitting the completed form M/03 — 'Declaration of cessation of activity', to the tax authorities.

### Output tax

Output tax is calculated by applying the VAT rate of 16% to the selling price.

### Single exemptions

In these types of exemptions, the taxpayer, when carrying on operations, does not charge VAT to the purchaser. This taxpayer is also not allowed to deduct input tax.

Single exemptions 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 public hospitals, dispensaries and other similar establishments
- wheelchairs and similar mobility aids 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 human/breast milk
- transport of sick or wounded people in ambulances by duly authorised entities
- mosquito nets
- medicines, including those intended for veterinary purposes, pharmaceutical specialties 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 in respect of congresses, conferences, seminars or similar activities of a scientific, cultural, educational or technical nature
- the provision of teaching services, as well as the transmission of goods and related supplies of services, when these are carried out by public establishments integrated in the National Education System and recognised by the Ministry of Education
- 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
- sealing values
- waste removal when performed or contracted by public entities
- funeral and cremation services and the supply of accessory goods, when performed by public entities
- banking and financial operations, subject to stamp duty
- insurance and reinsurance operations, subject to stamp duty
- lease of immovable property for residential purposes
- 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 forestry, cattle and fishing activities
- certain equipment, seeds, fertilisers and fungicides, as well as fishing nets, hooks and other tools for fishing.

The following exemptions are valid until 31 December 2023:

- alimentary oil and soaps
- acquisition of sugar
- acquisition of raw material, intermediary products, spares, equipment and components made by the national sugar industry
- acquisition of goods to be used as raw material in the alimentary oil and soap industries
- acquisition of goods and supply of services related to agricultural activity of the production of sugar cane and destined for the industry.

On the other hand, the transmissions of inputs of solar panels for rural electrification, listed in the Customs Tariff and detailed in Annex IV, which is an integral part of the VAT Code, are exempt from VAT until 31 December 2025.

## Complete exemptions (zero-rated supplies)

In these types of exemptions, the taxpayer does not charge VAT to the purchaser but is allowed to deduct input tax.

The following transactions are fully exempt from VAT:

- exports (international transport)
- supply of goods and services pertaining to agricultural (including poultry and beekeeping services)
- supplies of maize, maize flour, rice, bread, iodised salt, powdered milk for infants up to one year, wheat, wheat flour, fresh or refrigerated tomatoes, onions, frozen horse mackerel (carapau), lighting petrol, jet fuel, mosquito nets, common and iron bicycles up to 4 speeds, condoms and insecticide
- 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 the production of alimentary oil and soap, carried out by the relevant factory
- transmission of goods and supply of services related to the agricultural activity of the 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 (single exemptions) are not entitled to claim any input tax. Mixed taxpayers will have to use an apportionment method to determine a percentage of deductible VAT.

## International trade

### Input tax expressly denied

Input tax recovery is expressly denied on VAT on the following expenses:

- 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
- diversion and luxury expenses
- expenses subject to a reduced rate of 5% are excluded from the right to deduct.

## 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.

## Preregistration 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.

## 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
- reimportation of goods by the entity that exported the goods, when they are exempt from import duties
- ships and aircraft used in 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 economy and finance
- goods in category 'K' of the customs tariff schedule.

## Services

The general rule is that any performance of services is taxable if the service provider's headquarters, permanent establishment, or domicile from which the services are rendered, are 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
- transport for the distance travelled in Mozambique.

The following services are also always taxable when the customer is established or domiciled in Mozambique:

- cession of, 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
- leasing and renting (including financial leasing) of movable assets
- services supplied electronically:
  - supply of websites, web-hosting and distance maintenance of programmes and equipment
  - supply of software and respective updates
  - supply of images, text and information and provision of databases
  - supply of music, films and games, including games of chance and gambling games, and of political, cultural, artistic, sporting, scientific and entertainment broadcastings and events
  - supply of distance teaching
  - other ancillary services.

In case of the aforementioned services, should the service provider not have appointed a tax representative in Mozambique, the VAT obligations must be complied with by the recipient of the services by the application of the VAT self-assessment rules. VAT self-assessment bears no cash flow impact.

## 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
- 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 exempt from VAT:

- 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
- 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 subject to VAT exemption:

- supply of services related to transformation, repair, maintenance, freight and lease of vessels relating to certain activities
- supply of services related to 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
- supply of services under diplomatic and consular relations, in accordance with international agreements
- supply of services directly related to goods exempt from tax, being temporary imports or transits, or entered in deposits of the customs regime
- supply of services related to the shipping of goods abroad

- supply of services supplied by the Mozambican public railway entity to foreign railway companies
- supply of services related to transport of persons proceeding from or going abroad
- works on movable assets acquired or imported for purposes of such works, which are afterwards shipped or transported abroad.

Furthermore, as stated earlier, 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, there are exceptions to this rule.

The supply of certain services, for instance, falls outside the scope of VAT in Mozambique when the customer is established or domiciled outside the country, even if the service provider has its headquarters, permanent establishment or domicile in Mozambique. This exception only applies to the following services:

- cession of, 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
- the obligation of not performing, even if partially, a professional activity or a right mentioned above
- leasing and renting (including financial leasing) of movable assets.
- Services supplied electronically:
  - supply of websites, web-hosting and distance maintenance of programmes and equipment
  - supply of software and respective updates
  - supply of images, text and information and provision of databases
  - supply of music, films and games, including games of chance and gambling games, and of political, cultural, artistic, sporting, scientific and entertainment broadcastings and events
  - supply of distance teaching
  - other ancillary services.

“ The time-of-supply rules determine when VAT becomes chargeable and the time from which the tax authorities may reclaim tax

Ahmad Essak

## 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 and 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 place where the supplier's business or permanent establishment from which the services are rendered, or its permanent address is situated.

However, in case of services, the following exceptions should be taken into consideration:

- 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
- 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, research and development, supply of staff, lease [including financial leasing] of movable goods, services supplied electronically etc.) are taxable in Mozambique, 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 when 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 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 the customer or after 180 days
- 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
- 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 with the activity (Modelo 01/C)
- monthly returns with payment — to be submitted up to the last working day of the following month (Modelo A); In case the taxpayer is in a VAT Credit position, the monthly return must be submitted by the 15th 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)
- closedown return — to be submitted within 30 days of the relevant declaration.

The following deadline should be observed for VAT purposes:

- 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 deductions must 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 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) MZN2,5m (USD38,784 at the current exchange rate). Interest may also be applicable, should there be an amount of VAT due.

The applicable interest rate is the prime rate provided by the Mozambique Central Bank (the rate should be confirmed on the Mozambique Central Bank's website 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 four months the amount of credit still exists and is higher than MZN100,000, the taxpayer may apply for the relevant refund.



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

- they cease their activities
- they start carrying on exclusively VAT-exempt operations with no right to deduction, or qualify under the exemption or under simplified regimes if the amount of credit exceeds the fixed limit of MZN500,000 and it must consider in sequential order the credits in the current year if after 12 months from the period in which the excess began, it maintains systematic VAT credits, the taxpayer must request, if it does not wish to do so in full, the refund of at least 50% of the accumulated VAT credit.

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 and no interest is ever paid by the tax authorities.

## 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 tax and administrative court.

## Time limits

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 or 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, although the tax authorities do accept it if English is used alongside with the Portuguese wording; and the amounts must be indicated in the local currency (MZN).

An invoice will only be valid for VAT purposes if it is either printed by a local printing company that has been authorised by the Ministry of Economy and Finance, or issued using invoicing software authorised by the Ministry of Economy and Finance. VAT invoices must contain the following information:

- name, address and tax registration number (NUI) of the supplier and customer
- date and unique sequential number

- number and type of goods supplied
- the price net of VAT
- the VAT rate (16%), the value of the VAT charged and (separately) any exempt goods, with specific indication of the legal article granting exemption
- Bank Identification Number, abbreviated as BIN (or NIB), for which state payments are made
- if the invoice is issued by an authorised printer, the name of the printer and their authorisation number and tax registration number
- if the invoice is issued using software previously authorised by the Ministry of Economy and Finance, the expression 'Processed by Computer'.

## 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.

For a credit note to be regarded as valid for VAT deduction purposes by the supplier (in cases of VAT regularisation in favour of the taxpayer), it should be stamped and signed by the acquirer of goods or recipient of services.

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 marketplaces; supply of services in certain circumstances)
- 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 ten 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, they 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 predetermined period.

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. Otherwise, it is subject to VAT.

### Leasing

As financial operations are exempt from VAT, leasing is exempt from VAT as long as it is subject to stamp duty

### Promotional gifts

Promotional gifts and samples are not considered to be supplies of goods and are therefore not subject to VAT.

“ Transfer of a whole business or independent part thereof is excluded from VAT, provided the recipient is or will become a taxable person

Ahmad Essak

The Ministry of Economy and Finance will determine the maximum value of promotional gifts and samples that are not subject to VAT. However, no limits have been approved yet.

## Secondhand 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:  $[(\text{sales with VAT less purchases with VAT}) \times 100] \div 116$ . 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 their business, as part of their inventories, and things consumed in excessive quantities will be deemed to have been transferred or sold, unless the taxpayer proves the contrary (e.g. with documentation that proves that the goods have been destroyed due to their state of deterioration, and the tax authority has been notified in time of this fact).

## Other indirect taxes

### Import duty

Import duties are levied on imports of goods. The taxes vary according to the customs tariff schedule. The general rates of customs duties applicable to the import of goods vary from 2.5% to 20%.

## 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 5% to 75%. These rates shall be in force up to 2025.

## 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.

An 'urban tenement' is any building on 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 is considered to have been transmitted (including 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 — MZN250
- powers of attorney with any other power — MZN100
- loans (credit for a term of five years or longer) — 0.5%
- legal, judicial, fiscal and customs proceedings (per page) — MZN1
- 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 (as is the case with VAT). 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 the taxpayer's consent, use this overpayment to offset any future tax debt.

Credits resulting from refunds, administrative reviews, complaints or favourable decisions following administrative and judicial appeals under any administrative act are mandatorily applied in compensation.

An exception applies in case of an appeal opposition to debt execution or when this is being paid in instalments.

Compensation initiated by the taxpayer is made under the same terms and conditions as compensation initiated by tax authorities, within the deadline legally established for the payment up to the start of the tax execution process.



# Namibia



## Contact details

Physical address	344 Independence Avenue, Windhoek
Postal address	PO Box 1571, Windhoek, Namibia
Tel	+264 61 284 1000

## PwC contact

Chantell Husselmann	chantell.husselmann@pwc.com
Bianca Cooper	bianca.cooper@pwc.com
Carmen Fransman	carmen.fransman@pwc.com
Dolly Mouton	dolly.mouton@pwc.com
Chardonelle Dreyer	chardonelle.dreyer@pwc.com
Website	www.pwc.com.na

## Introduction

VAT was introduced in Namibia on 27 November 2000 with the enactment of the Namibian Value-Added Tax Act 10 of 2000 (the VAT Act) to replace Sales Tax and additional sales levies. The VAT authority resides under the Namibia Revenue Agency (NamRa).

- 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
- payment of a subsidy, grant or bursary by any person
- goods entered in a licensed customs and excise warehouse
- any activity conducted by the state.

## Rates and scope

The standard VAT rate is 15% and applies to all supplies of goods and services not qualifying for the zero rate 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 on a continuous or regular basis
- the importation of goods by any person.

The following supplies are considered outside the scope of VAT:

- employment services
- provision of goods on consignment
- recreational pursuit or hobbies

## VAT registration

### Compulsory registration

Any person making taxable supplies of NAD500,000 or more in a 12-month period is obliged to register for VAT.

### Voluntary registration

A person may register voluntarily for VAT when they make or will be making taxable supplies of NAD200,000 or more in a 12-month period.

A person having or intending to have a taxable activity and is likely to make taxable supplies after a certain period may also elect to register for VAT.

### Group registration

No group registration is allowed. Each entity within the group should consider its liability to register for VAT.

## Non-residents

A non-resident person must register for VAT if they are performing taxable activities in Namibia or partly in Namibia and the turnover exceeds or is likely to exceed N\$500,000 in a 12-month period.

In order to register for VAT purposes, such a person should have a Namibian bank account and a place of business in Namibia. A VAT registration of a non-resident business does not necessarily create a permanent establishment for direct tax purposes.

## Application procedures

A VAT registration form should be completed and can be obtained from Inland Revenue. With the introduction of the new integrated tax administration system (ITAS), a taxpayer identification number (TIN) became effective.

All previous taxpayer reference numbers (7 digits) on the old system were migrated to ITAS, where an additional digit, '0', was added in front of the existing 7 digits, in order to make up the 8-digit TIN required for ITAS. The ITAS platform allows for online application of VAT registration, which is done by uploading the required documents under your TIN account.

## Deregistration

A registered person may deregister for VAT where the consideration of taxable supplies made falls below the VAT threshold of NAD500,000 (compulsory registration), or in case of voluntary registration, below NAD200,000.

## Output tax

### Calculation of output tax

VAT is levied on the consideration charged for goods and/or services. VAT is therefore calculated at either 15% or 0%, on the consideration/price charged by a registered person.

Where the consideration/price charged by a registered person is silent on VAT, the price is deemed inclusive of VAT.

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
- renting of residential accommodation
- supplies by a body corporate

- services by trade unions for the benefit of members
- medical services and rooms by registered hospitals and clinics
- public transport of persons
- certain medical and paramedical services
- fringe benefits
- supplies to foreign heads of state, vice presidents and prime ministers.

## Zero-rated supplies

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

- exportation of goods
- fuel
- maize meal, mahango and mahango meal
- fresh and dried beans (excluding canned or frozen), sunflower cooking oil, fried out or processed animal fat used for the preparation of food, bread and cake flour (sifted and unsifted), and bread. However, these are excluded when cooked, served as a meal, or as prepared food
- dry white, or wet or dry brown granular sugar (in March 2019 proposed to be removed from zero-rating, however not enacted yet)
- fresh milk
- funeral undertaking services
- international transport
- erection, extension and sale of land and buildings for residential purposes
- the supply of sanitary pads.

## Input tax

### Input tax allowed

VAT incurred on the supply of goods and services to a registered person and on the importation of goods by a registered person may be claimed as input tax by such person, when used or consumed in the course or furtherance of a taxable activity carried on by such person.

VAT incurred may not be claimed where the goods and/or services are used or consumed in making 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 registered person became entitled to it for the first time.

For VAT registration made by persons having and intending to have a taxable activity, input taxes may be claimed once registered; on the condition that the input tax claimed is directly related to the current or intended future taxable activity.

## Input tax expressly denied

VAT incurred relating to the following goods and services is specifically denied as an input tax claim:

- entertainment
- acquisition or renting of passenger vehicles
- 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 them 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
- charitable organisations (however the subsequent sale of the vehicle will be subject to VAT).

## Partial exemption

The VAT Act makes provision for an apportionment method to be used by persons rendering a mixture of taxable and exempt supplies (mixed supplies).

The method mostly endorsed 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 taxable supplies in relation to total supplies is more than 90%, the registered person does not have to apportion the input tax paid on goods and/or services.

## Adjustments

Special rules apply to input tax adjustments in the first year of operation. Input tax on mixed supplies is claimed in the following year based on the turnover ratio of the prior year.

## Preregistration and post-deregistration of VAT

VAT incurred on trading stock (excluding capital goods) and/or consumables on hand at the date of registration is claimable, if bought within four months of the date of registration.

Upon deregistration, a taxable supply is deemed to have been made on any assets on hand at the date of deregistration on which input tax was claimed.

Output tax should be declared and paid on the open market value of the assets.

## International trade

### Imports

#### Goods

VAT is payable on the importation of goods at the greater of the free-on-board (FOB) value plus the upliftment factor of 10% (i.e. effectively 16.5% of FOB value), 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.

Where an importer has a registered import VAT account, the payment of import VAT on goods imported is deferred to the 20th of the next month, following the month of import.

Where an importer does not have a registered import VAT account, payment of import VAT can be made in cash or by electronic payment (prepayment) supported by a customs receipt.

Certain imports are exempt, but it is advisable to ascertain the customs procedures applied to obtain the exemption. For example, the exemption for import of household furniture by a person changing residence to Namibia must be applied for in advance at NamRa and supported by a work permit issued by the Ministry of Home Affairs.

All imports cleared under a valid import VAT account 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, such as construction equipment and machinery, including private vehicles by a person taking up residence in Namibia. Temporary imports are valid for six (6) months, but this can be extended on application to the Customs and Excise Commissioner.

#### 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 registered persons (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, where non-registered persons are not making taxable supplies.

## Exports

### Goods

Exports consigned and delivered outside Namibia are zero-rated, provided they are supported by documentary proof acceptable to Inland Revenue. Non-residents qualify for a refund of VAT paid on purchases of goods in Namibia and exported by them, supported by sufficient proof of export.

### Services

Services generally supplied to non-residents who are outside Namibia at the time the services are rendered are zero-rated, provided that they do not relate to movable goods which are not subsequently exported from Namibia or immovable property situated in the country.

A supply of services physically rendered outside Namibia is zero-rated.

## Refunds to foreigners

VAT refunds to tourists and non-residents are processed by a private VAT refund administrator (VRA) appointed by NamRa. A specified commission is withheld by the VRA for services rendered on behalf of Inland Revenue.

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

### Integrated Tax Administration System

The Integrated Tax Administration System (ITAS) became operational in January 2019. The overall objective of ITAS is to improve the service delivery to taxpayers, with an envisaged shift from manual interaction between Inland Revenue department and taxpayers, to a continuous online platform.

### Returns and payment of VAT and import VAT

A VAT return must be completed once every two months 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 NAD100 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 limited to 100% of the outstanding VAT.

The integrated tax administration system (ITAS) allows for the online filing (e-filing) of VAT returns. Note this is an optional method of filing the return. VAT must be paid when the VAT return has to be filed or by the due date.

Effective September 2020, an interface between the ASYCUDAWorld platform and ITAS was introduced. What this means is that the import transaction recorded on ASYCUDA auto-populates on the ITAS return and an assessment is thus raised with the liability recorded based on the transactions that were captured on the ASYCUDA.

A separate import VAT return is no longer required to be filed every month within 20 days after the last day of the relevant month as a result of the interface, but VAT on imports must be paid monthly by the 20th. The import VAT liability is automatically transferred from the Customs ASYCUDA system to ITAS with the onus on the taxpayer to correct import entries prior to the due date of payment should the importer not agree with the liability as reflected on the ASYCUDA system.

The preferred method of payment is by EFT. Payment, however, can also be made in cash before 00:00 (12:00am).

### 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 (as per the 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 on 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 of Inland Revenue not subject to appeal. An example is 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 preceding tax 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
- the date of issue
- a description of the goods or services supplied
- the quantity or volume of the goods or services supplied
- the total amount of VAT charged, the purchase price excluding VAT, and the purchase price including VAT.

All tax invoices must reflect Namibian currency and be issued in English. The foreign currency equivalent may be reflected on the same invoice. The VAT registration number of the customer needs to be stated on the tax invoice. Electronic invoices are not accepted.

## Credit notes and debit notes

A tax credit note or a 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
- 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 registered person must keep the following documents:

- a tax invoice
- a stamped SAD 500 as proof of export
- proof of consignment or delivery of goods in an export country (where requested).

The SAD 500 must correspond with the tax invoice.

## Record-keeping

Accounting 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 (trial balances, general ledgers, cashbooks, etc.) may be kept in another country, provided they are kept on an electronic system linked to Namibia and that printouts can be provided within 24 hours after receiving a request from Inland Revenue.



## Specific VAT rules

### Bad debts

Amounts written off as bad debts qualify for a deduction as input tax.

### 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 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.

In essence, where the goods were originally acquired before the introduction of VAT in Namibia (i.e. prior to November 2000) and are sold by a non-registered person as second hand goods to a VAT registered person, the VAT registered person is not entitled to claim input tax on such goods as no VAT was incurred by the seller on the initial purchase.

Input tax on used goods may be claimed by a registered person where the goods are acquired from a person who initially acquired the goods subsequent to the introduction of VAT in Namibia and used the goods to make exempt supplies.

'Used goods' refer to 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 a VAT-registered agent makes a supply of goods or services on behalf of a VAT-registered 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 VAT-registered agent imports goods on behalf of a foreign principal not registered for VAT in Namibia and the goods are sold by the foreign principal to a local customer, the importation is deemed to have been made by the agent and not the principal, provided that the agent obtains and retains acceptable documentary proof that they 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.

In such a case, the agent is deemed to have made a supply of goods to the local customer at the time the import VAT was paid at a consideration equal to the import value of the goods plus the import VAT paid.

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.

The VAT Act makes provision for an apportionment method to be used by persons rendering a mixture of taxable and exempt supplies (mixed supplies).

## Other indirect taxes

### Customs and excise duties

Customs duties are due on goods imported from outside the Southern African Customs Union (SACU). Excise duties are due 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 from or exports to other signatories to the Protocol. These include 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 MERCOSUR were finalised and entered into force on 1 April 2016. Namibia's importers and exporters therefore already benefit from lower or duty-free rates being applied in terms of that agreement.

The new Economic Partnership Agreement with the European Community has been signed and implemented. Lower duty rates apply on certain products, subject to certificates of origin obtained from authorities in the export country.

Imports under EFTA (Goods originating from Switzerland, Iceland, Norway and Liechtenstein) qualify for customs duty-free or lower duties in terms of the EFTA Agreement.

Namibia acceded to the African Continental Free Trade Agreement (AfCFTA), allowing trade under this Agreement as from 1 January 2021. The preferential duty rates have been duly published in the Government Gazette of 16 March 2021 allowing preferential duty imports under this substantial and large trading bloc, consisting of 55 African countries. Goods originating in Namibia enjoy similar lower duties when imported into other member states of AfCFTA.

As with all free trade agreements, the rules of origin as provided for in the agreements, must be complied with, as well as compliance with the procedures of the competent issuing authority. A certificate of origin is required for goods imported under any of the above agreements.

### Fuel levy

A portion of the levy on fuel is transferred to the Road Funds Administration for road maintenance. Fuel levies are payable per 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.

Increased fuel levy rates were recently introduced and are effective from the date of publication in the Government Gazette, i.e. 2 August 2019 (Government Notice No 225).

The fuel levy of 120c/litre on kerosene has been abolished, which means that the price of kerosene (illuminating paraffin) should be lowered to assist many households in Namibia. The abolishment has been confirmed by Government Gazette No. 7239 dated 12 June 2020.

### Transfer duty

#### Non-agricultural

- value of property less than NAD600,000 — nil
- more than NAD600,000 but less than NAD1m — 1% of value exceeding NAD600,000
- more than NAD1m but less than NAD2m — NAD4,000 plus 5% of value exceeding
- more than NAD2m — NAD54,000 plus 8% of value exceeding NAD2m.

#### Agricultural

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 NAD1,5m — nil
- value of agricultural land more than NAD1,5m but less than NAD2,5m — 1% of so much of the value of the agricultural land as exceeds NAD1.5m
- value of agricultural land exceeding NAD2,5m — NAD10,000 plus 3% of the value exceeding NAD2,5m

The current transfer duty rate for companies, close corporations and trusts remains at 12%.

### Environmental levy

Legislation on the introduction of environmental duties was introduced during June/July 2016 with amendments to the respective Acts made in August 2019.

### Carbon emission tax

Carbon emissions tax is levied on importation of vehicles. The rates vary depending on the CO<sup>2</sup> emission in g/km. This levy is usually based on the emission certificate of the vehicle upon importation. However, if no such certificate is available, customs officials will make use of a standard formula in determining the amount payable as a levy.

### Incandescent bulbs and vehicle tyres

Since 11 July 2016, environmental duties are levied on electric filament lamps at NAD3 per lamp.

On the tyre environmental levy, if a tyre is fitted to a wheel or rim, a NAD10 environmental duty per tyre will apply (tyre treads and tyre flaps of rubber used in the manufacture of tyres are excluded from the levy).

## Plastic bag levy

Since August 2019, an environmental levy of 50 cents per bag is levied on most bags made from plastic. Refuse, zipper bags and bags for immediate packings and refuse bin liners will be excluded. The levy is applicable on importation and manufacturing of plastic bags in Namibia.

## Lubricants and certain oils

Since August 2019, a levy of NAD1.80 per litre of most lubricants and certain oils is levied by Customs on importation or manufacturing in Namibia.

The products include:

- lubricating grease
- prepared lubricating oil
- base oils manufactured from refining of used lubricating oil
- transformer and cable oil
- hydraulic transmission fluids
- waste oils.

## Batteries

Since August 2019, a levy of 5% on the value of most primary cell batteries imported into (or manufactured in) Namibia is payable to Customs and Excise.

Most disposable batteries will fall into the tax net.

## Export levy

The export levy was promulgated in June 2016 and came into force on 1 June 2017. Exporters of Namibian raw material products will be liable to pay export levies. Once a customs entry is assessed by Customs Namibia on export of the listed products, the exporter is liable to pay the levy to the customs authority.

The levies will range from 0.5% to 2% of the export value, depending on the commodity exported and state of beneficiation. It makes provision for certain administrative arrangements and the charging of export levies on products listed in the Schedules to the Act such as:

- the Commissioner for Customs and Excise is responsible for collection and administration of the export levy
- an exporter may lodge an objection within 90 days of any assessment of the levy by Customs Namibia
- the exporter must keep records of all customs declarations and related documents for five years
- a penalty of double the export levy is prescribed if the exporter provided false or misleading statements to the customs authority.

Schedule 3 to the Export Levy Act was amended by publication in the Government Gazette No. 7080 on 20 December 2019 to include a detailed list of forestry products subject to an export levy with a rate of 15% based on the export value. The 15% export levy rate has now been abolished and replaced with a rate of Two (2) NAD based on the mass in kilograms of wood and timber products exported from Namibia in terms of Government Gazette No. 7401 published on 30 November 2020.

It should be noted that exports of wood and timber products to an EU member country are 'free' from the export levy in terms of the previously mentioned Government Gazettes to confirm Namibia's commitments under the EPAS agreement with the EU ratified by the Namibia Parliament in 2016.



# Niger



## Contact details

<b>Physical address</b>	<i>PwC does not have an office in Niger. PwC Côte d'Ivoire, based in Abidjan, offers consultancy services to foreign investors.</i> Imm. ITC, Bât D 3e étage, Angle rue Booker Washington - Blvd Hassan II, Cocody
<b>Postal address</b>	01 B.P. 3173, Abidjan 01, Côte d'Ivoire
<b>Tel</b>	+225 27 22 55 84 00, F: +225 27 22 55 84 69
<b>PwC contact</b>	
Dominique Taty	d.taty@pwc.com
Fousséni Traore	fousseni.traore@pwc.com

## Introduction

VAT was introduced in Niger by the Finance Law of January 1986 to replace the production tax and the tax on services.

### Scope of VAT

VAT is charged on the supply of goods and services rendered or used in Niger, subject to the exemptions list. All economic activities fall within the scope of VAT, including the activities of independent professionals (lawyers, chartered accountants etc.), except for banking activities for which a specific tax applies.

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 Niger), plus any excise duties.

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

Input tax on some goods and services listed by the tax rules is not recoverable.

A VAT prepayment or withholding tax scheme has been introduced in Niger.

### Rates applicable

To date, the standard VAT rate is 19%.

Reduced rate: 5% for the import and sale operations of sugar, edible oils, animal feed and manufactured milk.

### Registration threshold

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

In Niger, there is a single tax identification number that taxpayers must use to fulfil all their obligations regarding all taxes. However, it is important to note that the persons authorised to invoice VAT must be either natural persons or corporate/commercial entities realising an annual turnover before tax equal to or more than XOF50m (EUR76,224.50).

Businesses with lower turnover do not collect VAT. As such, they are not allowed to deduct VAT borne on their purchases.

Non-residents performing taxable transactions in Niger must appoint a representative domiciled in Niger and accredited by the tax authority to comply with VAT diligences and payment.

In case of failure, the VAT and, where applicable, the penalties relating thereto, shall be due by the beneficiary of the taxable service.

# Nigeria



## Contact details

Physical address	Landmark Towers 5B Water Corporation Road Victoria Island, Lagos, Nigeria
Postal address	P O Box 2419, Lagos, Nigeria
Tel	Direct: +234 (1) 271 1700 Ext: 54031
Mobile	+234 706 401 9039, +2348034021029
<b>PwC contact</b>	
Chijioke Uwaegbute	chijioke.uwaegbute@pwc.com
Tunde Adedigba	tunde.adedigba@pwc.com
Oputa Chukwuma	oputa.chukwuma@pwc.com
Nnamdi Ez	nnamdi.eze@pwc.com
Website	<a href="https://www.pwc.com/ng/en.html">https://www.pwc.com/ng/en.html</a>

## Introduction

There has been a focus on indirect taxation as a tool for the economic management and development of the country's resources. This has led to recent judicial and legislative changes to the framework guiding the administration of the VAT system in Nigeria.

The VAT rate increased from 5% to 7.5% through the Finance Act. The VAT Modification Order expanded the list of items exempted from VAT and zero-rated, and also included new items. The Federal Inland Revenue Service (FIRS) appointed banks and some telecommunication companies as government agents for VAT deduction at source. Some of these changes have significantly improved the VAT system in Nigeria.

## Rates and scope

VAT is charged on the supply of goods and services in Nigeria, except those specifically exempted under the VAT Act. VAT is also charged on goods and services imported into the country.

If VAT is to be charged on an activity, that activity must be classified as a 'supply'.

A 'supply of goods' is defined to be:

any transaction where the whole property in the goods is transferred or where the agreement expressly contemplates that this will happen and in particular includes the sale and delivery of taxable goods or services used outside the business, the letting out of taxable goods on hire or leasing, and any disposal of taxable goods

Good are deemed to have been supplied in Nigeria where:

- they are physically present in Nigeria at the time of supply, imported into Nigeria, assembled in Nigeria or installed in Nigeria
- the beneficial owner of the rights over the goods is a taxable person in Nigeria and the goods or rights are situated, registered or exercisable in Nigeria.

A 'supply of services' means 'any service provided for a consideration'. However, a service is deemed to have been supplied in Nigeria where:

- the service is rendered in Nigeria by a person physically present in Nigeria at the time of providing the service
- the service is provided to and consumed by a person in Nigeria, regardless of whether the service is rendered within or outside Nigeria or whether or not the legal or contractual obligation to render such service rests on a person within or outside Nigeria

- the service is connected with existing immovable property (including the services of agents, experts, engineers, architects, valuers, etc), where the property is located in Nigeria.

VAT is applicable in respect of an incorporeal where:

- the exploitation of the right is made by a person in Nigeria
- the right is registered in Nigeria, assigned to or acquired by a person in Nigeria, regardless of whether the payment for its exploitation is made within or outside Nigeria
- the incorporeal is connected with a tangible or immovable asset located in Nigeria

Based on a strict interpretation of the VAT Act, all goods and services supplied in Nigeria are taxable supplies unless they are:

- specifically classified as exempt supplies
- specifically classified as zero-rated goods and services
- do not qualify as a supply in Nigeria.

The Finance Act 2020 expanded the definition of 'goods' and 'services'.

'Goods' is now defined as:

- all forms of tangible properties that are movable or immovable, but does not include land and buildings, money or securities.

'Services' is now defined as:

- anything other than goods or services provided under a contract of employment
- any intangibles or incorporeal (product, asset or property) over which a person has ownership or rights, or from which he derives benefits, and which can be transferred from one person to another, excluding interest in land and building, money or securities.

## VAT rates

Vat is charged at a standard rate of 7.5% on the supply of VATable goods and services.

Also, VAT is charged at 0% on the following zero-rated goods and services:

- goods and services purchased by diplomats
- goods purchased for use in humanitarian donor funded projects. 'Humanitarian donor funded project' includes projects undertaken by non-governmental organisations and religious and social clubs or societies recognised by law whose activity is not for profit and in the public interest.

## VAT registration

### Compulsory registration

A taxable person is required to register for VAT immediately on commencement of business.

There is a VAT registration threshold of NGN 25m turnover in a calendar year introduced through the Finance Act of 2019. Therefore, businesses with annual turnover of less than NGN25m are no longer required to register for VAT. However, companies engaged in upstream petroleum operations are no longer allowed to enjoy the exemption from registration status. They are required to register for VAT, even if their annual turnover is below the NGN 25m threshold.

A taxable person is defined in the Act as "an individual or body of individuals, family, corporation sole, trustee or executor or a person who carries out in a place an economic activity, a person exploiting tangible or intangible property for the purpose of obtaining income by way of trade or business or a person or agency of government acting in that capacity".

Failure to register for VAT attracts a penalty of NGN50,000 for the first month of default and NGN25,000 for every subsequent month default continues.

### Voluntary registration

Businesses with an annual turnover of less than NGN25m may register voluntarily. This is especially where such businesses intend to make claims for input tax.

### Group or branch registration

There is no scope for group or branch registration under the Nigerian VAT Act.

### Non-residents

A non-resident company (NRC) that makes a taxable supply of goods and services to Nigeria is also required to register for VAT and obtain a tax identification number. The NRC is required to include the tax on its invoice for all taxable goods or services.

The Nigerian party that transacts with the NRC, or a person appointed by the FIRS, is required to withhold or collect taxes, and remit to the tax authority.

Where the NRC, or a person appointed by the FIRS, makes a taxable supply to a taxable person in Nigeria, the taxable person will not be required to withhold the tax for the purpose of remitting it to the tax authority, except the NRC or the appointed person fails to include the tax on their invoice.

The FIRS has appointed non-resident digital companies as agents for the collection of VAT on cross border digital transactions.

A non-resident person transacting in Nigeria has the obligation to appoint a representative for the purpose of VAT compliance.

## Application for registration

Upon registration, the taxable person is issued with a notification of registration bearing the Tax Identification Number (TIN) and the date of registration. The tax registration certificate showing the unique TIN number and date of registration is also subsequently issued by the FIRS.

## Deregistration

The Finance Act introduces the requirement for deregistration. As such, where a taxable person permanently ceases to carry on a trade or business in Nigeria, they are required to notify the tax authorities of their intention to deregister for tax purposes within 90 days of such cessation of the trade or business.

The penalty for failure to notify FIRS of permanent cessation of trade or business is the sum of NGN50,000 for the first month of default and NGN25,000 for each subsequent month of default.

## Input tax deduction

### Input tax allowed

Recoverable input tax is restricted to goods purchased or imported directly for resale and goods which form the stock-in-trade used for the direct production of any new product on which the output VAT is charged.

The VAT Act does not define 'stock-in-trade' for the purpose of determining the extent to which a taxpayer can recover input VAT. In practice, the tax authority restricts the claim of input VAT by taxpayers only on raw materials and inventories. However, in a recently decided case, the Tax Appeal Tribunal expanded the meaning of "goods which form the stock-in-trade..." to include the purchase of gas, short-term spares and consumables.

### Input tax expressly denied

VAT on overhead, service and general administration expenses is not allowed as deduction from output tax. It is to be expensed through the income statement.

Also, VAT on fixed assets (capital items) which is to be capitalised along with the cost of the capital item is not allowed as deduction from output tax.

### Partial exemption

There is no provision for partial exemption in the Nigerian VAT Act.

### Change-of-use adjustments

There is no provision for change-of-use adjustments in the Nigerian VAT Act.

## Output tax

### Brief description of output VAT

Output tax is charged and collected by a business from its customers on the supply of goods and services.

Based on the VAT Act, a business is obligated to account to the FIRS for the output tax charged to customers. However, the business can recover the input tax incurred on qualifying transactions (i.e. goods purchased for direct resale or goods that form stock-in-trade for goods on which output tax will be charged) by deducting it from the output tax. The VAT paid by the business to the FIRS is the excess of the output tax over the input tax (on qualifying transactions).

### Exempt supplies

The following supply of goods and services are exempt from VAT:

- oil exports
- medical and pharmaceutical products
- basic food items
- educational books and materials
- baby products
- fertilisers and locally produced agricultural and locally produced veterinary medicine, farming machinery and farming transportation equipment
- plants, machinery and good imported for use in the export processing zones or free trade zones
- plant, machinery and equipment purchased for utilisation of gas in downstream operations
- tractors, plough and agricultural implements purchased for agricultural purposes
- locally manufactured sanitary towels, pads or tampons
- all exported services
- medical services
- plays and performances by educational institutions as part of learning
- tuition relating to nursery, primary, secondary and tertiary education
- plant, machinery and equipment (including steel structures) for the manufacture of cement and allied products
- vegetable oil
- motorcycle (CKDs)/Bicycle (SKDs) and their spare parts
- corporate bonds and government securities (This exemption is only for a ten-year period commencing 2 January 2012)
- airline tickets sold by commercial airlines registered in Nigeria

- commercial aircraft, commercial aircraft spare parts and commercial aircraft engines
- hire, rental or lease of tractors, ploughs and other agricultural equipment for agricultural purposes
- petroleum products
- renewable energy equipment
- raw materials for the production of baby diapers and sanitary towels
- locally produced animal feeds
- military hardware, arms, ammunitions and locally manufactured uniforms used by the Armed forces, paramilitary, and other security agencies of governments in Nigeria
- gas supplied by gas producing companies to electricity generating companies
- electricity generated by electricity generating companies, transmitted by the Transmission Company of Nigeria and distributed by distribution companies
- agricultural seeds and seedlings
- services rendered by unit micro-finance banks and mortgage institutions
- shared passenger road transport service.

## Zero-rated supplies

The following are zero-rated goods and services:

- goods and services purchased by diplomats
- goods purchased for humanitarian donor-funded projects
- imports of commercial aircraft, aircraft spare parts and machinery and equipment used in the solid minerals sector.

## Special rated supplies

There are no special rated supplies under the Nigerian VAT Act.

## Advertising prices

There are no specific provisions under the Nigerian VAT Act relating to advertising.

## International trade

### Imports

#### Goods

VAT is chargeable on goods imported into Nigeria, i.e. goods made outside Nigeria but supplied/ consumed in Nigeria. VAT will apply on all non-exempted goods imported into Nigeria whether or not:

- the goods are liable to customs duties
- the person importing the goods is registered for VAT.

Import VAT is recoverable and can be used to offset any output VAT payable provided the conditions for offset are met.

### Basis for calculating VAT on imported goods.

For the purpose of levying VAT, the value of the imported goods is an amount equal to the price of the imported goods and includes:

all taxes, duties and other charges levied either outside or by reason of importation into Nigeria

all costs by way of commission, parking, transport and insurance up to the port or place of importation.

### Point of import

The VAT point of imported goods is the relevant port or border post. Where the goods are imported through the post, the point of import will be at the post office or the place in Nigeria where the goods are received. In the case of intangible assets, the VAT point is the place where payment in Nigeria is due.

### Services

Imported services are liable to Nigerian VAT. The VAT Act requires an NRC that carries on business in Nigeria to register for VAT, and issue VAT invoices to its Nigerian customers.

NRCs that supply digital services to Nigeria have been appointed as VAT agents by the FIRS. This implies that NRCs that supply digital services to customers resident in Nigeria have an obligation to charge, collect and remit the VAT to the FIRS.

Where the NRC supplies VATable services and does include VAT, the Nigerian recipient of the service is required to self-charge and remit the VAT.

VAT applies where the services are provided to a person in Nigeria, regardless of whether the services are rendered within or outside Nigeria. This aligns with the destination principle.

## Exports

### Goods

Under Nigerian VAT laws, all exports are VAT exempt.

### Services

Under the Nigerian VAT Act, exported services are specifically exempted from Nigerian VAT.

### Definition of exported services

Exported service' is defined as "services provided within or outside Nigeria by a person resident in Nigeria to a non-resident person provided that the non-resident person is neither a fixed base nor a permanent establishment in Nigeria.



# Place, time and value of supplies

## Place of supply

Goods that are situated in Nigeria at the time of supply are deemed to be supplied in Nigeria.

Services which are performed by a Nigerian resident to a person within Nigeria are clearly supplied in Nigeria and are within the scope of Nigerian VAT.

There are some technicalities involved in the determination of the place of supply of services when cross-border transactions are involved. Please refer to the explanation of imported services and exported services.

## Imported services

Services provided to a person in Nigeria are now considered to have been supplied in Nigeria regardless of whether the services are rendered within or outside Nigeria.

## Time of supply

The time of supply for related and unrelated parties are as follows:

**Unrelated parties:** In line with the Act, supply is said to have been made at the point where a receipt or invoice is issued or payment is due or received by the supplier whichever occurs first.

**Related parties:** Certain transactions may attract VAT where a supply is deemed to have occurred whether an invoice is issued or not. A supply would be deemed to have occurred in the following instances:

- for goods which are to be removed: the time of removal
- for goods which are not to be removed: the time it is made available to the recipient
- furnishing of a service: upon furnishing of the service
- incorporeal: when the incorporeal becomes available to the recipient.

Also, the Act provides the time of supply for VAT on periodic payment as follows:

- goods supplied under any rental agreement or services furnished under any agreement which provides for periodic payment: time of supply will be earlier of when payment is due or is received or the invoice relating to payment is issued
- goods supplied under an instalment credit agreement: supply takes place at the earlier of when goods are delivered, or payment is received.

For imported goods, VAT is payable at the time of importation.

## Value of supply

The value of a taxable supply is determined as follows:

- where the supply is for a money consideration, the value is deemed to be an amount which with the addition of the tax chargeable is equal to the consideration
- where the supply is for a non-monetary consideration, the value of the supply is deemed to be its market value
- where the supply of taxable goods or services forms part of a matter to which consideration in money relates, the supply is to be the part of the consideration properly attributed to it.

Please refer to International trade on the determination of the value of imported goods.

## VAT compliance

### Accounting basis and tax period

Based on the Act, VAT is accounted for and remitted on a cash basis.

In arriving at the VAT payable for each month, the output tax collected by a taxpayer in the previous month is matched with the input tax paid to the vendors during the period. The difference between output tax collected and input tax paid in the preceding month is then remitted or treated as future credit.

The tax period for Nigerian VAT is on a monthly basis and the due date for rendering VAT returns is the 21st day of the month following the month of transaction.

### Returns and payment of VAT

VAT returns are due on the 21st day of the month following the month of transaction. Every taxable person is to remit the monthly net VAT payable (i.e., the excess of output tax over input tax), together with the VAT returns and the payment is to be made in the currency of the transaction.

The following should be submitted to the tax authority:

- a completed VAT returns form
- VAT schedule showing Tax Identification Number (TIN) name and address, date of transaction, invoice number, contract sum, rate applied, tax paid and month of return
- evidence of payment of any tax due.

Where there was no activity carried out for a specific month, the taxable person is required to file a 'Nil' return with the tax authorities.

## Interest and penalties

The Nigerian VAT Act creates the following offences for which interest and penalties will apply, upon commission:

- failure to register for VAT: NGN50,000 for the first month and NGN25,000 for every subsequent month
- failure to remit VAT: 10% per annum of the amount of tax not remitted plus interest at the prevailing Central Bank of Nigeria minimum rediscount rate
- failure to issue tax invoice: Fine of 50% of the cost of the goods or services for which tax invoice was not issued
- failure to keep proper records: Fine of NGN2,000 for every month in which failure continues
- failure to collect VAT: Penalty of 150% of the amount not collected plus 5% interest above the Central Bank of Nigeria (CBN) Monetary Policy Rate
- failure to submit returns: Fine of NGN50,000 for the first month of default and NGN25,000 for each subsequent month default continues.

## Refunds

There is scope for claiming VAT refund in certain defined cases including where there has been:

- outright overpayment done in error
- deduction of VAT at source without corresponding adjustment for input tax
- input tax claims by zero-rated taxable persons
- input tax in excess of output tax; etc.

Input tax refund may be claimed in any of the following ways:

- credit method
- direct cash refund
- a combination of the above.

The most common practice is the credit method whereby a taxable person may offset the excess input tax against the output tax in subsequent periods.

## Objections and appeals

The tax authority is empowered to carry out tax audits, investigations to determine a taxpayer's VAT compliance level. The tax authority may also conduct desk compliance reviews over a period in order to evaluate the VAT returns filed by the company for the relevant period.

Where a taxpayer is aggrieved by an assessment made by the tax authorities, they may file an objection with the tax authority. The tax authority may revise the assessment or issue a notice of refusal to amend.

Thereafter, a taxpayer may further appeal to the Tax Appeal Tribunal (TAT) from the decision of the tax authority. Proceedings at the TAT can be instituted at the insistence of the tax authority or the taxpayer.

An appeal from the TAT may further lie to the Federal High Court.

## Time limits

Statutorily, Nigerian companies are required to keep accounting records for a period of six years. Thus, the period covered by an audit is not expected to exceed a six-year period from the date of the audit.

## Withholding VAT obligation

### Appointment of withholding VAT agents

Based on the VAT Act the following categories of taxable persons have been appointed as VAT agents:

- all government ministries, parastatals and agencies
- companies operating in the oil and gas sector
- resident entities transacting with non-resident companies carrying on business in Nigeria, where the non-resident companies fail to collect the tax

The tax authorities also appointed deposit money banks, and two telecommunication companies – MTN and Airtel.

These agents are required to withhold the VAT at source on transactions and remit the tax to the tax authority.

### Withholding VAT exemption

The obligation to withhold VAT at source will not apply in the following circumstances:

- where goods are purchased off the shelf and there is no contract signed between the parties, e.g. purchase of airline tickets at the office of the airline company, purchase of stationery at a shop, etc
- where the party supplying the good or service is a government agent (since all government agencies are also empowered to deduct VAT at source)
- invoices for goods and services specifically exempted from VAT under the VAT Act
- where a non-resident company that makes a supply of digital services to a Nigerian customer, includes VAT on its invoice.

These exemptions are specific to companies operating in the oil and gas sector but (i) and (ii) will necessarily apply to all withholding VAT agents.

## Withholding compliance

All government ministries, parastatals and agencies are required to withhold the VAT on payments made to their vendors/contractors and remit the tax to the relevant tax office. The remission is to be accompanied with a schedule showing the name and address of the contractor, invoice number, gross amount of invoice, amount of tax and month of return.

Further, taxable persons transacting with non-resident companies are required to remit the VAT withheld at source in the currency of the transaction.

The notable duties and obligations of companies in the oil and gas sector include:

- separating the returns on normal trading activities from those of its own consumption / contract awards. The input and output credit mechanism will apply only to its sales activities but not to contract awards
- paying VAT on VATable transactions, whether or not the contractors have duly reflected VAT charges on such contracts
- preparing and forwarding to the tax authorities relevant schedules on all VAT payments indicating the name and address of each contractor, TIN, invoice number, contract value, dates of contract award and payment as well as VAT amount.

## Refunds

The procedure / guidelines for claiming VAT refunds are specified in the FIRS Information Circular No. 2007/02 of 1 August 2007.

Based on the circular, VAT refund cases may arise under any of the following circumstances:

- outright overpayment done in error
- double remittance by banks
- double payment for the same tax liability by the taxpayers
- deduction of VAT at source without corresponding adjustment for input tax
- input tax claims by zero-rated VATable persons
- input tax in excess of output tax
- error in tax computation.

## Procedure

Where a taxpayer makes an application for a VAT refund, the application must include the following information/documents:

- the precise grounds for the refund
- that the application is a VAT refund application
- the period in which the transaction that gave rise to the refund occurred
- treasury receipts and bank deposit slips evidencing payment of the excess amount.

The application must be made to the relevant tax office where the taxpayer's records are domiciled. This application will be subject to verification and thereafter an audit or a mere spot check. Typically, refund applications that are less than NGN300,000 are recommended for payment while refund claims over this threshold will be subject to an audit or a spot check before approval.

In most cases an application for refund will trigger a complete tax audit before the refund is approved. Where the audit is conducted and the refund is approved, the refund is to be made within 90 days from the date of the approval.

## VAT record-keeping

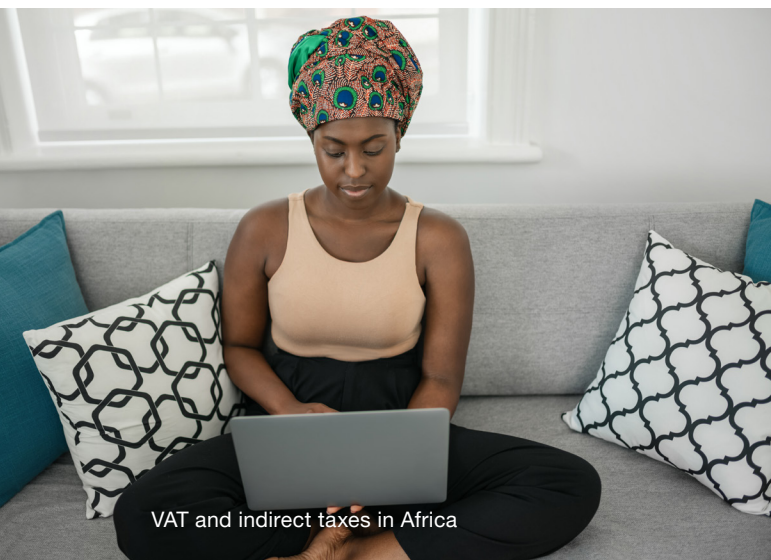
### Tax invoices

Every taxable person who makes a taxable supply is required to furnish the purchaser with a tax invoice containing the following information:

- taxpayer identification number (TIN)
- name and address
- VAT registration number
- the date of supply
- name of purchaser or client
- gross amount of transaction
- tax charged and rate applied.

Failure to issue a tax invoice attracts a fine of 50% of the cost of the goods or services for which the tax invoice was not issued.

The tax invoice is also required where the purchaser chooses to pursue a claim for input tax.



## Credit notes and debit notes

There are no express provisions in the Nigerian VAT Act for credit notes and debit notes. However, credit notes are utilised in practice where the VAT payable on a supply is reduced or reversed as a result of a subsequent discount or an error. Conversely, debit notes are utilised where VAT payable on a supply is increased as a result of a subsequent error or adjustment to the initial tax invoice.

The information in the credit notes and debit notes is essentially the same as the tax invoice. However, it will also include a description of the initial invoice for ease of reference.

## Additional export documentation

There are no specific provisions of the VAT Act on export documentation. Documentary evidence of the transaction and proof that the goods physically left Nigeria will suffice.

## Record-keeping

Every taxable person is required to keep proper records and books of all transactions, operations, imports and activities enough to determine the correct amount of VAT payable. These records include:

- VAT account
- original tax invoices received
- copies of tax invoices issued
- credit and debit notes issued and received
- import and export documents.

## Specific VAT rules

### Bad debts

The VAT Act does not provide relief for VAT on bad debts. However, in practice, most taxpayers adjust for the VAT remitted on the debt amount by taking a deduction against output VAT payable in the next period after the debt has been written off.

The tax authority does not challenge this approach where the taxpayer can prove that the debt is truly bad.

### Digital economy

The Nigerian VAT Act does not contain express provision on the digital economy. However, the Act provides that NRCs carrying on business in Nigeria are required to register for VAT and include VAT in their invoice. Also, NRCs providing service to customers in Nigeria (whether or not the NRC physically provides the service in Nigeria) are required to register for and charge VAT.

In addition, VAT reverse charge on imported services means that even where the NRC does not include VAT on its invoice, the Nigerian company is expected to now self-charge the VAT and remit.

## Land and buildings

Land and building is not within the scope of the VAT Act.

## Leasing

There are no specific rules under the Nigerian VAT Act on leasing. VAT is applicable on leases.

## Promotional gifts

There are no specific rules under the Nigerian VAT Act on promotional gifts.

## Secondhand goods

VAT is applicable at the standard rate of 7.5% on the disposal of second-hand goods.

## Tourism industry

There are no specific rules under the Nigerian VAT Act applicable to the tourism industry.

## Currency conversion

Under the Nigerian VAT Act, VAT is to be remitted in the currency of transaction.

## Transfer of business

The Finance Act introduces VAT exemption on group reorganisations, provided that the following conditions are met:

- the sale is to a Nigerian company and it is for the better organisation of the trade or business
- the entities involved are part of a recognised group of companies a year before the transaction, and the relevant assets are not disposed of earlier than a year after the transaction.

## Warranty repairs

There are no specific rules under the Nigerian VAT Act on warranty repairs.

## Other indirect taxes

### Import duties

Import duties are payable upon importation prior to or at the port of entry. They apply on various goods based on Harmonised System (HS) Codes at rates ranging between 0% to 35%.

### Excise duties

Excise duties are normally charged on applicable products either on the basis of ad valorem, specific or both. Based on the 2022 Fiscal Policy Measures and Tariffs Amendments Order, the tax is chargeable on all services regulated by the Nigerian Communications Commission (NCC) listed as postpaid and prepaid services at the rate of 5% for 2022, 2023 and 2024.

Products	2022 rates (NGN)	2023 rates (NGN)
Tobacco	20% + 2.9	30% + N4.2 (per cigarette stick)
Beer and stout	N40 per litre	N45 per litre
Wines	20% + N50 per litre	20% + N50 per litre
Spirit	20% + N50 per litre	20% + N65 per litre

Excise duty is due and payable immediately on manufacture of excisable goods. However, the Nigerian Customs Service may at its discretion deem the duty to become due and payable at a stage not later than the delivery of the goods from the products store.

Based on the 2020 Finance Act, goods imported in Nigeria that are specified under the fifth schedule of the Customs and Excise Tariff, Etc. (Consolidation) Act are to be charged with excise duties. Also, telecommunication services provided in Nigeria are now charged to excise duties at a specific rate to be prescribed by the president.

The Finance Act 2021 provides that excise duty should be charged on non-alcoholic, carbonated and sweetened beverages at a specific rate of N10 per litre.

There are no filing requirements for excise duties. However, manufacturers are required to keep the following records of manufacture and return:

- material register
- operation register
- finished product register.

Based on the Finance Act, imported excisable products are now subject to excise duties at the same rates applicable to locally manufactured items.

The Finance Act 2020 reduced the duties and levies on the items in the table below:

Product	Old rate (%)	New rate (%)
Tractors	35%	5%
Motor vehicles for transport for more than ten persons	35%	10%
Motor vehicles for transport of persons (cars)	30%	5%
Motor vehicles for transport of goods	35%	10%



## Additional exemption from excise duty

Airlines registered in Nigeria and providing commercial air transport services are entitled to duty-free importation of their aircraft, engines, spare parts and components whether purchased or leased.

## Stamp duty

All instruments relating to an act to be performed in Nigeria must be stamped, except those specifically exempted.

The 2020 Finance Act included an electronic transfer levy on any form of electronic receipt that acknowledges receipt of money. The levy is a one-off charge of N50 on electronic deposits or transfer into bank accounts from N10,000 and above. The Act is silent on electronic transfers made between accounts of the same account holder. However, in practice the levy has not been charged on the same account holder transfers.

Stamp duty is chargeable either at fixed rates or ad valorem (i.e., in proportion to the value of the consideration) depending on the class of instrument. Certain instruments are exempt from stamp duties:

- instruments in connection with a scheme for the reconstruction or amalgamation of companies may enjoy relief from stamp duties subject to specified conditions
- transfer from self to self, whether inter or intra bank, i.e. transfers between accounts held by the same person
- any form of withdrawals or transfers from savings accounts
- salaries
- the definition of 'instrument' now includes 'every written document including electronic document'.

# Republic of Congo



## Contact details

**Physical address** 88, Avenue du Général de Gaulle, B.P 1306, Pointe-Noire, République du Congo

**Tel** +242 05 534 09 07

**Physical address** Immeuble BSCA BANK, 6ème étage, Boulevard Denis Sassou Nguesso, B.P. 1140

**Tel** +242 06 693 01 01

## PwC contact

Moise Kokolo moise.kokolo@pwc.com

Emmanuel Le Bras emmanuel.lebras@pwc.com

Zita Mbuana-Makumbu zita.mbuana-makumbu@pwc.com

Benic Mbanwie Sarr benic.m.mbanwie@pwc.com

**Website** <https://afrique.pwc.com/>

## Introduction

The VAT system was introduced in the Republic of Congo by Law no. 12-97 of May 12 1997 to replace turnover tax, and has been amended subsequently by Finance laws over the years.

The upstream oil and gas sector is specifically governed by VAT rules in Decree n° 2001-522 of October 19 2001.

## Scope of VAT

Value Added Tax (VAT) is a tax on goods and services. VAT is charged on the supply of goods or services made, provided or used in the Republic of Congo and on the importation of taxable goods.

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

Apart from the general principle of liability, which must be applied to each case, liability is automatic no matter the amount of the annual turnover for all activities.

Private legal entities are automatically subject to VAT, irrespective of their annual turnover.

Individuals whose annual turnover, excluding taxes, exceeds XAF 100m, are subject to VAT, regardless of their industry. Individuals whose turnover does not exceed XAF 100m may opt to be subject to VAT.

## VAT rate

### Taxable supplies — standard rate

The standard rate of VAT in Congo is 18%. The rate applies to all standard rated supplies of goods and services not covered by the zero rate or the reduced rate.

### Taxable supplies — reduced rate

A reduced rate of 5% is applicable to certain listed consumer goods, diesel and lubricants imported from border countries by companies in the forestry sector registered in Congo.

This reduced rate is also applicable on the sale of cement produced in Congo.

### Taxable supplies — surtax rate

A surtax is payable, to the advantage of local communities, at the rate of 5% of the amount of VAT.

### Zero-rated supplies — 0%

Zero-rated VAT applies to exports, international transport and their accessories. For exports, the zero rate applies only to those declared and endorsed by customs and for local sales of lumber.

# VAT registration

## Compulsory registration

There is no express requirement to register for VAT purposes only. A taxpayer can only be considered as having registered for tax purposes after registration and allocation of a Tax Identification Number (NIU).

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

Apart from the general principle of liability, which must be applied to each case, liability is automatic for all private legal entities, irrespective of their annual turnover and sector of activities.

## Voluntary registration

Private legal entities are now automatically subject to VAT, irrespective of their annual turnover.

## Group or branch registration

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

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

## Non-residents

Non-resident businesses cannot register for VAT purposes. Non-residents are required to appoint a solvable tax resident representative in order to register for VAT in the Congo.

## 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 'Unité des Grandes Entreprises or at the Unité des Moyen Entreprises' in order to comply with the statutory provisions.

The main formalities, which must be performed within a fortnight of the start of the activity, are the drawing up and filing of 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 receipt of the application, issues a registration certificate making the party liable for VAT and allocates a Tax Identification Number (NIU) to the taxpayer. The NIU of the entity is subject to the NIU of its legal representative.

New taxpayers undertaking a commercial activity in the Republic of Congo are required to apply for a NIU. Failure to get this ID number results in the company not being entitled to deduct the VAT paid to its suppliers, to proceed with clearance at the customs house or to receive payment from the Tax Administration. The application for the NIU is free of charge.

## Deregistration

All taxpayers must inform the Tax Administration about the termination of their businesses. As there is no standard form, this declaration must be made on plain paper by the taxpayer within 15 days from the end of business.

## 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.

Taxpayers who have opted for the debit system must specify this option on their invoices.

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
- for self-deliveries — a special declaration made by the taxpayer itself
- for rental leasing — invoice of purchase of equipment by approved leasing companies.

The right of deduction arises when the tax becomes payable by the supplier of the goods and services.

VAT levied for pre-payment on goods or services not expressly excluded from the right of VAT deduction is deductible in the proportion of 2/3 of the expenses incurred if the services or goods are for professional use.

The right of deduction shall be exercised until the end of the first tax year following that in which the VAT became due.



## Input tax expressly denied

Input tax is specifically denied in respect of:

- housing, accommodation, and 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'
- purchase of oil products, except oil purchased by importers and wholesalers in order to sell or produce electricity for sale
- services in respect of goods excluded from the right to deduct
- false invoices and false customs declarations
- vehicles and craft designed or fitted out for passenger transport or for mixed use that constitute fixed assets, except:
  - expenditure on transport of vehicles rented by tourism professionals for their clients
  - dealer vehicle inventories and test or demonstration vehicles
- VAT paid following tax audits
- VAT paid in cash, on invoices exceeding or equal to CFAF500,000
- 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
- goods transferred without payment or for payment well below the normal price, apart from low-value goods, 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 CFAF5,000)
- the VAT paid on behalf of foreign suppliers if the related services have not been taxed in Congo, subject to DTT.

## 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 shall 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.

## Change-of-use 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.

## Post-deregistration VAT

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

## Recovery of VAT by non-residents

VAT incurred by non-resident is not refunded.

## Output tax

Output tax is VAT due on taxable supplies. 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. 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 following operations, if subject to specific taxation, are exempt from VAT:

- transactions aiming at transferring buildings when the transfer is made by a person who is not a real estate developer and liable to registration fees
- interest on loans contracted abroad
- interest on deposits made by non-professionals to credit or financial establishments
- transfers of buildings, transfers of rights in rem in immovable property and transfers of business assets if the transfer is subject to transfer duties or equivalent taxation.
- financial and banking operations
- assurance and reinsurance transactions
- gambling and leisure games
- sales of extractive products

The exempt supplies include, but are not limited to:

- mineral water produced in the Congo
- butane gas packaged in Congo.
- raw products obtained in the context of activities carried out in Congo by hunters, stock breeders and farmers
- imported or duty-free goods within the CEMAC (UDEAC) rules
- 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
- services covered by the legal conduct of the medical and paramedical professions
- certain medicines
- renting of real property for housing purposes
- regulated activities of microfinance establishments
- monies paid by the Treasury to the Central Bank, which has the exclusive issuing right, and income from the Bank's operations, generating the issue of banknotes.

## Zero-rated supplies

A zero-rated supply is treated as a taxable supply and no VAT is charged on such supply.

The zero-rated supplies include:

- exports
- international transport and their accessories.

For exports, the zero rate applies only to those declared and endorsed by customs and for local sales of lumber.

## Reduced rate supplies

A reduced rate supply is treated as a taxable supply and VAT is charged on such supply at the rate of 5%.

Reduced rate supplies include:

- certain listed (annex V tax law) consumer goods
- diesel and lubricants imported from border countries by companies in the forestry sector based in the Republic of Congo
- glass products made in Congo
- sale of cement produced in Congo.

## International trade

### Goods

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.
- 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, the customs declaration must show the Tax Identification Number (NIU) and a receipt issued in the name of the taxpayer by the tax recovery services must indicate the amount of VAT paid.

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 exporters appending the customs references of the goods that it has exported during the month prior to the declaration.

### Services

Services provided abroad and used in the Republic of 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.

The provision of services by a Congolese company 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.

## Place, time and value of supplies

### 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 the 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 considered.

## 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. For self-deliveries and self-provision of services, the time of supply is the first use or first commissioning
- 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 considering 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
- 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, 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

- 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 the following:

- price discounts, rebates and reductions
- outward payments
- tips
- operations carried out by agents or brokers
- payments not made in return for a taxable operation
- payments received as deposits for recoverable packaging.

## VAT compliance

### Accounting basis and tax period

The accounting and tax period is the calendar year. The closing date of the financial year is December 31 of each year. The tax period is based on the results obtained over a period of twelve (12) months corresponding to the accounting period.

Businesses which start during the six months preceding the mandatory closing date can close their first balance sheet at the end of the financial year at the end of the accounting year following that in which they started their activities.

### Returns and payment of VAT

The monthly VAT return is a VAT summary statement for the month concerned showing 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 20th of the following month, accompanied by the payment instrument. If no operations are carried out during a particular month, the form of the return still must be filed but will be marked 'nil'.

E-filing returns have been introduced to replace the physical tax filing.

Adjustments concern additional deductions made as a result of errors or omissions in a previous return, refunds can be requested until exhaustion and without limitation (whether or not the refund has been granted by the tax department) or refunds made for VAT wrongly deducted on a previous return.

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 specific cases, it may be the subject of a refund application.

Taxable businesses that make productive investments of more than XAF1,000,000,000 in a plan drawn up and approved by the tax authorities may defer the payment of VAT on the importation of these goods. This is until the date of submission of the monthly return for the month following the month of importation.

## Interest and penalties

The 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 CFAF 200,000 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 or 200% for fraudulent manoeuvre.
- 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% of the tax due
- failure to reply to requests for clarification or substantiation — automatic taxation, and 50% penalties of the amount due
- obstruction of a tax audit — arbitrary taxation, and penalties of 200% of the tax dues
- taxpayer's inability to produce all books, exhibits, documents and supporting items making it possible to determine the business's revenue accurately — arbitrary taxation.
- failure to translate books or other documents into French — CFAF2m
- 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.

## Refunds

- Certain categories of professions and certain types of operations are entitled to refunds, such as oil businesses and exporters of goods that realise more than 80% of turnover on sales abroad.
- Industries that have made investments following an establishment agreement.
- Diplomatic or consular missions, subject to reciprocity.
- Companies in cessation of activity are equally entitled to VAT refunds.
- The VAT credit can be offset indefinitely.

## Objections and appeals

Taxpayers' monthly returns are audited by employees at the 'Unité des Grandes Entreprises' or 'Unité des Moyennes Entreprises' or Unité de la Fiscalité Pétrolière' with at least the grade of inspector. These audits, conducted on the basis of documents or on site, may lead to an adjustment. Taxpayers may be assisted at these audits by a third party, a tax adviser of their choice, 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 which must 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 within 60 days upon 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 and ten years for refunds.

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, provided that the credit has been carried forward on the return filed with the tax authorities.

## Withholding VAT

### Appointment of withholding VAT agents

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

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.

### Withholding VAT exemption

Withholding VAT exemptions would apply where the transaction is VAT exempt.

### Withholding compliance

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 must, subject to the penalties specified in such matters, both declare the operations performed by the service provider in its favour and ask the service provider about any operations performed in the Congo in favour of one or more third parties. A foreign service provider cannot claim any right to deduct the VAT charged to it.

Reverse charged VAT withheld, remitted by the beneficiary of the services, is deductible.

## VAT refunds

### When are VAT refunds due?

- Certain categories of profession and certain types of operations are entitled to refunds, such as oil businesses and exporters of goods that realise more than 80% of turnover on sales abroad.

Operations carried out with oil companies or between approved subcontractors are generally exempt from VAT. In return, 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 can claim a refund of VAT paid (except in relation to private and domestic use).

If he fails to receive a refund of VAT from the Tax Administration, the foreign contractor (in practice, only oil companies) can deduct the VAT credits from any other tax payment. The foreign contractor must set up a bank account in the Congo.

- Industries that have made investments following an establishment agreement.
- Diplomatic or consular missions, subject to reciprocity.
- Companies in cessation of activity are equally entitled to VAT refunds.

For tax credits that have been approved by the tax authorities, the competent public accountant may allocate to the payment of taxes, duties, fees, penalties or interest for late payment due by a taxpayer, VAT refunds, rebates or refunds of taxes, duties, fees, penalties or interest established, for the benefit of the latter.

## 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. The invoice, written in the French language, must have the following information:

- the name, address and single identification number of the taxpayer issuing the invoice
- the name, address and the single tax identification number of the customer
- the trade register number, bank account number
- the date of the invoice and serial number of the invoice
- a description and the quantity of the goods or the extent of the services
- the tax rate and the corresponding tax, the price excluding tax and the total amount with taxes included
- the tax system and the tax department on which it depends for its professional tax obligations.

Electronic invoicing is not yet allowed in the Congo.

### 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, or
- if part of or all the goods are returned to the supplier
- 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, presented in French and made out in CFA Francs (subject to an exemption). Accounting documents and supporting documents for operations performed by the taxpayer must be retained for ten 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 is 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, is 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.

### Transfer of a business

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

### Leasing

Leasing is a service subject to VAT. 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.

## Secondhand goods

Sales of second-hand fixed assets by professionals are subject to VAT on the difference between the purchase and sale prices.

Sales of second-hand goods by non-professionals 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 come 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.

## Other indirect taxes

### Import duties

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%
- 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%.

Additional entry taxes apply on importation of goods:

- Computer royalty: from to 2% on customs taxable value of the good imported/exported
- CEMAC integration tax: 1% on CIF value
- Statistic tax: 0.2% on CIF value
- OHADA contribution: 0.05% on CIF value
- CEEAC Contribution: 0.04% on CIF value
- African integration tax (for imports from outside the African Union): 0.2%.

### Excise duties

The following products are subject to excise duties:

- alcoholic beverages (17.5%\*)
- cigars, cigarettes and other tobacco (22.5%\*)
- passenger motor vehicles, motorcycles with a cylinder capacity of more than 250 cm<sup>3</sup> (15%)
- luxury food, perfumes and cosmetic products, arms and ammunition, jewellery (25%)
- gambling and amusement devices (25%)
- other products subject to excise duties (17.5%\*)

\*Applicable from the second quarter of 2023.

## Stamp duty

The normal stamp duty in the Congo is currently CFAF1,300 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: 3%; real assets: 10%; registration of authorised capital: 3%; transfer of shares: 5%; transfer of rights and obligations: 5%.

## Transfer duty

A money transfer made from the Congo to foreign countries (outside the CEMAC zone) is subject to the tax on transfer at the rate of 1.5% of the total amount.

A digital hub tax at the rate of 1% and capped at XAF 1,000,000 on each financial electronic transaction.



# Rwanda



## Contact details

**Physical address** Blue Star House, 35 KG 7 Ave, Kacyiru, Kigali, Rwanda

**Postal address** PO Box 1495, Rwanda

**Tel** +250 252 588 303/4/5/6

## PwC contact

Moses Nyabanda [moses.o.nyabanda@pwc.com](mailto:moses.o.nyabanda@pwc.com)

Frobisher Mugambwa [frobisher.mugambwa@pwc.com](mailto:frobisher.mugambwa@pwc.com)

Valens Nsanzabera [valens.x.nsanzabera@pwc.com](mailto:valens.x.nsanzabera@pwc.com)

**Website** [www.pwc.com/rw](http://www.pwc.com/rw)

## Introduction

VAT was introduced in Rwanda and came into effect on 20 January 2001 to replace ICHA (turnover tax). 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 came into effect on 5 February 2013 and repealed the old VAT law (Law No. 06/2001 of 20/01/2001). Law No. 31/2012 was also modified and complemented by Law N° 02/2015 of 25/02/2015. In 2016, Law 37/2012 was further modified and complemented by Law No N°40/2016 of 15/10/2016.

## Rates and scope

The standard VAT rate of 18% applies to all taxable supplies of goods and services that do not qualify 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, FRW20m (approximately USD20,000) in the previous fiscal year or FRW5m (approximately USD 5,000) 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.

A person who issues a VAT invoice when he or she is not registered for VAT is liable to an administrative fine of one hundred percent (100%) of the VAT indicated in the invoice and payment of that tax as indicated on that invoice.

### 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 by completing a VAT registration form online. The RRA then issues a VAT registration certificate. 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 seven 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.

The taxation period for a person who suspends registration of the VAT occurs immediately before the registration is cancelled.

## 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.

### VAT exemption

In order for an industry to be eligible for the VAT exemption on machinery, capital goods and raw materials, the following requirements must be fulfilled:

- The applicant must be registered as a company in Rwanda.
- The applicant must aim at processing raw materials to produce goods for sale, or for mining and quarry exploitation.
- Exemption must only be applied for machinery, capital goods or raw materials appearing on the list established by the minister in charge of industry and approved by the minister in charge of taxes.
- The application must indicate the direct link between the goods for which exemption is sought and the industrial activity that would be carried out.

- The application must be addressed to the Commissioner General in accordance with the procedure established by the Tax Administration, if the exemption applied for concerns machinery, capital goods and raw materials that are locally produced in Rwanda.
- A declaration form must be submitted to the Commissioner for Customs if the exemption is applied for machinery, capital goods and raw materials that are imported.

### 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:

- Services of supplying clean water and ensuring environment treatment for non-profit making purposes with the exception of sewage pump-out services
- Goods and services for health-related purposes:
  - health and medical services
  - equipment designed for persons with disabilities
  - goods and drugs appearing on the list made by the Minister in charge of health and approved by the Minister in charge of taxes
- Educational materials, services and equipment appearing on the list made by the Minister in charge of education and approved by the Minister in charge of taxes
- Books, newspapers and journals
- Transportation services by licensed persons:
  - transportation of persons by road in vehicles which have a seating capacity of fourteen (14) persons or more
    - transportation of persons by air
    - transportation of persons or goods by boat
    - transportation of goods by road
- Lending, lease and sale:
  - sale or lease of land
  - sale of a whole or part of a building for residential use
  - renting or grant of the right to occupy a house used as a place of residence of one person and his/her family, if the period of accommodation for a continuous term exceeds ninety (90) days
  - lease of a movable property made by licensed financial institution

- Financial and insurance services:
  - premiums charged on life and medical insurance services
  - bank charges on current account operations
  - exchange operations carried out by licensed financial institutions
  - interest chargeable on credit and deposits
  - operations of the National Bank of Rwanda
  - fees charged on vouchers and bank instruments
  - capital market transactions for listed securities
  - transfer of shares
- Precious metals: sale of gold in bullion form to the National Bank of Rwanda
- Any goods or services in connection with burial or cremation of a body provided by an Order of the Minister in charge of finance
- Energy supply equipment appearing on the list made by the Minister in charge of energy and approved by the minister in charge of taxes
- Trade union subscriptions
- Leasing of exempted goods
- All agricultural and livestock products, except processed ones. However, milk processed, excluding powder milk and milk-derived products, is exempted from this tax
- Services of agriculture insurance
- Services, agricultural inputs, and other agricultural and livestock materials and equipment appearing on the list established by the minister in charge of agriculture and animal resources and approved by the Minister in charge of taxes
- Gaming activities taxable under the law establishing tax on gaming activities
- Personal effects of Rwandan diplomats returning from foreign postings, Rwandan refugees and returnees entitled to tax relief under customs laws. The period of twelve (12) months required for tax relief for vehicles provided under customs laws shall not apply to Rwandan diplomats returning from foreign postings
- Goods and services meant for Special Economic Zones imported by a zone user holding this legal status
- Mobile telephones and SIM cards
- Information, communication and technology equipment appearing on the list made by the minister in charge of information and communication technology and approved by the minister in charge of taxes.

“ Suppliers of taxable goods and services are required to apply for VAT registration. These include sole proprietors, limited liability companies and corporations

Moses Nyabanda , Partner, Tax and Legal Services, PwC Rwanda

## Zero-rated goods and services

Zero-rated supplies include supplies of the following goods or services:

- Exported goods and services
- Minerals that are sold on the domestic market
- International transportation services of goods entering Rwanda and transportation services of goods in transit in Rwanda to other countries, including related services
- Goods sold in shops that are exempted from tax as provided for by the law governing customs
- Services rendered to a tourist for which value added tax has been paid.

The following goods and services intended for persons of a special category:

- 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 the Government of Rwanda
- Goods and services donated to local nongovernmental organisations, which have been acquired through funding by countries or international organisations that have signed agreements with the Government of Rwanda and for being used for agreed upon purposes
- Goods and services intended for projects funded by partners that have signed agreements with the Government of Rwanda



## Input tax

### Input tax allowed

VAT incurred by a VAT-registered person in respect of most expenses incurred and services received for business purposes is deductible as input tax. 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 two years of the tax point).

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:

- Passenger vehicles, or spare parts or repair and maintenance services for such a vehicle, unless the taxpayer's business involves the resale 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
  - The accommodation was provided to the person while away from their usual residential home for the interest of the business or the employer's interest
- The acquired goods give any person 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

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.

### Preregistration 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.

The basic value of imported goods is the sum of the following:

- 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
- For matters not specified in the previous point:
  - the cost of insurance and freight incurred in bringing the goods to Rwanda, and
  - the cost of services which facilitate the importation of goods
- 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 the country, but where the services are supplied for use or consumption in the country.

## Place, time and value of supplies

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 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
- 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 consumed outside Rwanda.

## Refunds to foreigners

VAT refunds are not allowed to tourists or non-resident businesses.

## Place of supply

The following acts constitute the supply of goods and services: sale, exchange or other transfer of the right to dispose of 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, refraining from doing any act and the lease of goods under an operating leasing agreement.

## Time of supply

The time of supply of goods and services occurs at the earlier of:

- The date on which the invoice is issued
- The date on which payment of goods and services, including a partial payment is made. However, this paragraph does not concern the advance payment made to the constructors who later reimburse it by deducting it from the invoices presented to the client
- The date on which goods are either removed from the premises of the supplier or when they are given to the recipient
- The date on which the service is delivered
- In the case of electricity, water or any other supplies, goods or services measured by metre or any other calibration, the taxation period shall be the time when the metre or any other calibration reads the number that follows the previous consumption of the supply.

## Value of supply

Except where this Law provides otherwise, the taxable value of goods or services is the consideration paid in money by the recipient. The taxable value on goods and services is the fair market value, exclusive of the VAT, if goods or services are supplied for:

- A non-monetary consideration
- A monetary consideration for one part and non-monetary for the other consideration that is less than the 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 annual turnover is equal to or less than FRW 200m, 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 they are claiming a refund or where the difference is zero. RRA 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 (at the bank) or a bank transfer.

The VAT payable for an import is due and payable when the imported goods reach the country.

A taxpayer may apply to the Commissioner General for an extension of the deadline for tax declaration if he or she provides valid reasons for not declaring tax on time.

The taxpayer applies in writing to the Commissioner General at least 15 days before the last filing date of the declaration.

The Commissioner General may, in writing, grant to the taxpayer an extension of the tax declaration deadline within ten days from the date the request was received. Extension of a deadline for tax declaration neither affects the deadline for the tax payment nor suspends the accrual of interest.

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 non-filing of VAT return, fixed fines related to such violation are:

- FRW50,000 if the taxpayer's annual turnover is more than FRW 2m but not exceeding FRW20m
- FRW300,000 if the taxpayer's annual turnover exceeds FRW20m
- FRW500,000 if the taxpayer was informed by the tax administration that they are in the large taxpayers' category
- If the taxpayer commits the same fault twice in two years, the basic fine is doubled. In case the same violation is committed again within those two years, the fine is four times the basic administrative fine.

In case of non-declaration of VAT return and non-payment on time, non-fixed fines related to such violation are:

- 20% of due tax, when the taxpayer exceeds the time limit for declaration and payment for a period not exceeding 30 days;
- 40% of due tax the taxpayer should have declared and paid, if he or she pays within a period ranging from 31 to 60 days from the time limit for the payment; and
- 60% of due tax, if the taxpayer exceeds the time limit for declaration and payment by more than 60 days.

In case of declaration of VAT return on time but non-payment of tax declared on time, non-fixed fines related to such violation are:

- 5% of due principal tax, when the taxpayer exceeds the time limit for payment for a period not exceeding 30 days from the fixed date of payment

- 10% of the principal tax due, when the taxpayer exceeds the time limit for the payment of a period ranging from 31 to 60 days from the fixed date of payment
- 30% of due principal tax, when the taxpayer exceeds the time limit for payment by more than 60 days from the fixed date of payment

A person who does not comply with provisions of VAT is subject to an administrative fine as follows:

- An administrative fine of 50% of the amount of VAT output for the entire period of operation without VAT registration, where VAT registration is required.
- An administrative fine of 100% of the VAT indicated in the invoice and payment of that tax as indicated on the invoice, for a person who issued a VAT invoice when he or she is not registered for VAT
- An administrative fine of 100% of the VAT payable if a person issues an incorrect VAT invoice with intention to decrease the amount of VAT payable or to increase the VAT input credit.

A public institution which fails to withhold the VAT or which withheld VAT and failed to pay the tax withheld to the Tax Administration, must pay the Tax not withheld or not paid, fines and default interests as provided for by this Law.

- In the event of an audit or investigation, the following penalties arise for the understatement of VAT:
- 10% of the amount of the understatement if the understatement is equal to or more than 10% but not more than 20% of the tax liability the taxpayer ought to have paid

The administrative fine referred above doubles if the understatement rate exceeds 20% of the principal tax liability the taxpayer ought to have paid

In case of failure to use the electronic invoicing system by a person registered for VAT, fines apply as follows:

- An administrative fine of ten times the value of the evaded VAT
- In case the fault is repeated within two years, the defaulter is liable to an administrative fine of 20 times the value of the evaded VAT.

A person who fails to comply with obligations of the user of the electronic invoicing system is liable to an administrative fine as below:

- two hundred thousand Rwandan francs (FRW 200,000)
- In case the fault is repeated within two years, the administrative fine is increased to FRW400,000.
- In case a taxpayer delivers an electronic invoice with an under-valued price or quantity of goods or services, they are liable to an administrative fine of ten times the value of the evaded VAT

- In case the fault is repeated, the administrative fine is increased to 20 times the value of the VAT evaded.

In addition to the administrative fines, late payment of VAT is also subject to late payment interest, calculated using the below rates:

- 0.5% if the taxpayer has recorded a delay of a period not exceeding six months
- 1% if the taxpayer has recorded a delay of a period more than six months but not more than 12 months
- 1.5% if the taxpayer has recorded a delay of more than 12 months.

The interest and penalties are summaries below

### Fixed fines

#### Non-filing of VAT return

Initial fault	
Turnover (Frw)	Fine (Frw)
2,000,001 - 20,000,000	50,000
Above 20,000,000	300,000
Large taxpayer	500,000
Repetition of the same fault	
Non-filing repeated twice in 2 years	Above fines are doubled
Non-filing repeated thrice in 2 years	Above fines are quadrupled

#### Non-compliance with obligations by the user of electronic invoicing system

Description	Fine (Frw)
Initial fault	200,000
Fault repeated in 2 years	400,000
Issued invoice with under-valued price or quantity	10 times the value of the evaded VAT
Above fault repeated	20 times the evaded VAT

### Non-fixed fines

#### Non-declaration of VAT return and untimely payment of the same

Days delayed	Fine
<30 days	20% of due tax
31-60 days	40% of due tax
>60 days	60% of due tax

#### Non-payment of VAT declared on time

Days delayed	Fine
<30 days	5% of due principal tax
31-60 days	10% of due principal tax
>60 days	30% of due principal tax

#### Understatement of VAT

Rate of understatement	Fine
10%-20%	10% of the understated tax
>20%	20% of the understated tax

Note:

A taxpayer who rectifies his or her tax declaration and pays relevant tax before he or she is notified of imminent audit of his or her tax is not subject to the administrative fine for understatement, but he or she is liable to late payment fines.

### Non-compliance with the provisions of the VAT law

Details	Fine
Non-registration when mandatory registration was required	50% of output VAT for the entire period of operation without VAT registration
Issuance of VAT invoice when not VAT registered	100% of the VAT indicated in the invoice
Issuance of an incorrect VAT invoice with intention to decrease the amount of VAT payable or to increase the VAT input credit	100% of the VAT payable

### Failure to use the electronic invoicing system by a VAT registered person

Details	Fine
Initial fault	10 times the value of evaded VAT
Fault repeated within 2 years	20 times the value of evaded VAT

### Late payment interest

Delayed months	Rate
1-6 months	0.5%
7-12 months	1%
>13 months	1.5%

## Refunds

If, during a particular prescribed taxation period, the input tax exceeds output tax, the Commissioner General shall refund the supplier the due amount to which the supplier stands in credit by reason of the excess, on receipt of the relevant tax return document within 30 days:

- after one day from the expiry of the prescribed period for tax declaration
- after receipt of proof of the last outstanding tax declaration.

However, the VAT paid by registered investors shall be refunded within a period not exceeding 15 days after receipt by the Revenue Authority of the relevant application.

Prior to payment, the Commissioner General may order for verification of the claim for refund or deduction submitted to him/ her. In such a case, the period for the response to be communicated shall not exceed three months from the date of submission of the claim.

## 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 they may, upon giving notice in writing 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.

## 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 words '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
- 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 invoices issued.

VAT and non-VAT registered persons are required to use a certified electronic invoicing system (EIS) that generates tax invoices. There are significant penalties for failure to use EIS.

## Credit 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, copies 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
- Be headed 'credit note' or 'debit note' as appropriate and clearly show the following details:
  - The identifying number and date of issue
  - The name, address and the 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
  - 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 importation and exportation
- 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 is changed or damaged
- If the consideration of taxable goods or services is changed
- 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
- There should be convincing evidence that the debtor is insolvent and that all possible steps have been taken to pursue payment without success.

## Other indirect taxes

### Land and buildings

The lending, lease and sale of the following is exempt from VAT:

- The sale or lease of an interest in land
- The sale of a building or part of a building meant for residential purposes
- 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.

### Secondhand goods

Input tax on second-hand goods is deductible. Output tax must be accounted for on taxable second-hand goods.

### Warranty repairs

The granting of a warranty under repair is included in the price of goods or services to be provided under that warranty and, on that basis, VAT is 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.

### 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.

### Excise duties

Excise duty is tax imposed on excisable services or excisable goods manufactured in or imported into Rwanda. Excise duty is governed by Law No 025/2019 of 13/09/2019 which replaced Law No. 26/2006 of 27 May 2006 which determines and establishes 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.





# Senegal



## Contact details

**Physical address** 47, avenue Hassan II, Dakar, Sénégal 6454

**Tel** +221 33 849 05 00

## PwC contact

Mahi Kane mahi.kane@pwc.com

Masoukha Diallo masoukha.diallo@pwc.com

Makhtar Ndiaye makhtar.ndiaye@pwc.com

**Website** Afrique.pwc.com

## Introduction

Introduced in 1980, Value Added Tax (VAT), is an indirect tax which applies on commercial operations, goods and services.

The Senegalese General Tax Code (GTC) provides VAT rules from articles 351 to 399.

The member states of the West African Economic and Monetary Union (WAEMU) including Senegal have notably harmonised their rules regarding VAT. For instance, any member state is required to fix a unique rate that must be between 15% and 20%.

## Scope of VAT

VAT applies on the supply of goods and provision of services within the framework of economic activities.

Indeed, all economic activities are within the scope of VAT, including the activities of independent professionals (attorneys, lawyers, chartered accountants etc.).

## Mechanism of subjection to VAT

### Supply of goods

A supply of goods is the transfer of ownership of tangible goods.

The following operations are also considered as supply of goods: the supply of water, electricity or gas, the instalment sale, and the transmission of property carried out under a commission contract on the purchase.

If a company withdraws goods from the stock for itself or for a third party without payment, this is considered as self-delivery of goods. Such an operation is subject to VAT.

## Provision of services

According to the Senegalese GTC, all transactions that are not supplies of goods are considered as provisions of services, including self-supply services (use of a business property for purposes other than those of the business or the provision of services by the taxable person for purposes other than exploitation or for the benefit of third parties free of charge).

## VAT rates

The VAT rate is 18% and applies to most commercial operations on goods and services.

However, there is a 10% reduced rate that applies to services rendered by licensed tourist accommodation establishments.

## VAT registration

### Compulsory registration

Companies that carry out economic activities must be registered (Article 446 of the GTC).

To be registered, the company must have a valid tax identification number that fits for all taxation purposes.

### Voluntary registration

Voluntary registration is only possible for the following activities:

- farmers production sales
- public transport operations made by carriers which apply the tariffs approved by the public authority.

This option applies to all operations realised by the optional taxpayer. The demand is addressed to a competent chief of tax services.

It only applies to supply of goods from the receipt date of the option letter.

This option is irrevocable once it is granted.

### Group or 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, foreign providers must designate a local fiscal representative for the payment of VAT. If not, the Senegalese debtor has to pay the VAT and the related penalties on behalf of the foreign provider.

This VAT borne by the Senegalese debtor is conditionally deductible in accordance with decree n° 039532 on 2 December 2021 of the Minister of Finance.

According to this decree, VAT related to the services provided by a foreign service provider must include a 'transfer of know-how' so it can be deductible.

In addition, WHT should also be applicable.

## VAT on digital services provided by non-residents

From the enforcement of the Finance Law for 2023 (cf. article 355 bis of the GTC), VAT is applicable on digital services provided by non-residents. Digital services shall mean supplies of intangible goods or services carried out in an automated manner over a computer and/or electronic network.

The collection and payment of VAT weigh on:

- an intermediary established in Senegal when the service was provided through its platform
- a foreign service provider when the service was provided directly by them (without an intermediary).

The liquidation:

- VAT is liquidated on the price of the services and, where applicable, the intermediary's commission, at the normal rate of 18%.

The VAT return is submitted online through the website of the tax administration.

### Application for registration

An application for a tax ID number must be submitted when the company is incorporated.

This tax ID number is used for all taxes applicable in Senegal, including VAT.

### 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.

## Input VAT deduction

### Input tax allowed

It applies to goods or services acquired for the company's exclusive needs (it is deductible). Input tax is paid on delivered goods or services rendered by another person subject to VAT.

Input tax is allowed on exempted operations such as:

- export and related transactions and services directly related to exports
- transport of goods to international destinations.

To be deductible, invoices must be compulsorily issued with all required mentions listed in article 447 of the GTC (e.g. VAT number of the supplier).



## Extension of the right to deduct the input VAT

The Finance Law for 2023 (Law No 2022-22 of 19 December 2022 - article 374 of the GTC) allows taxpayers to deduct the input VAT:

- following the discovery of an error
- after tax adjustment.

The deduction is only possible if the amended invoice correctly shows the rectified VAT, with the indication, where appropriate, of the tax initially invoiced or the references of the enforceable title.

## Input tax expressly denied

VAT is not deductible on expenses on goods and services when the percentage of private use exceeds 80% of their total use. The input tax expressly denied concerns:

- vehicles designed for the transport of individuals or mixed use, when they are not intended to be resold in their original state or rented by a professional lessor
- accommodation, meals and foods, receptions and show expenses
- the provision of services, regardless of their nature, when the beneficiary of the remuneration is not established in Senegal, except services involving a transfer of know-how, defined by order of the minister of finance (Cf. Law n°20-33 of December 2020 related to the Finance Law for 2021). The decree does, however, provide for some exceptions, i.e. services that will give rise to the right to deduct the VAT incurred if they are subject to WHT.
  - For example, interest on loans granted to a company established in Senegal by a bank, financial institution or creditor established abroad, is deductible even if there is no transfer of know-how.
- advertising expenses on goods and services whose advertising is prohibited
- furnishing, excluding office furniture
- services related to goods which are excluded from the right to deduct
- assets sold without remuneration or for a remuneration lower than their normal selling price, in particular as a commission, salary, gifts, regardless of the quality of the beneficiary or the form of distribution, except when the value of the good does not exceed XOF20,000 exclusive of VAT (Cf. article 383 of the GTC).
- limitation regarding certain businesses:
  - Travel agencies and tour operators subject to the margin system cannot deduct the tax relating to the price paid to transport companies, hoteliers, restaurateurs, entertainers and other taxable persons who physically provide the services used by customers.

- Merchants of second-hand goods subject to the margin system cannot deduct the tax on goods acquired for resale (Article 382 of the GTC).

“ Value Added Tax (VAT), is an indirect tax which applies to commercial operations, goods and services

Mahi Kane , Partner, Tax and Legal Services,  
PwC Senegal

## Partial exemption

When performing taxable and non-taxable economic activities (exempted operations without right of deduction), the 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 exempted operations plus exports
- the taxpayer must also divide itself 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
  - an exempted sector, where the VAT paid is not deductible.

VAT paid to providers for goods and services acquired for both sectors, which is calculated in accordance with the above apportionment formula.

## Change-of-use 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 goods
- 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.

## Preregistration or post-deregistration VAT

These procedures are not applicable in Senegal.

## Refunds to non-residents

It is not possible for non-residents to recover VAT.

## Output tax

### Brief description 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 and services. For importation, it is the customs valuation, CIF (cost, insurance and freight charges).

The following items are not included in taxable income:

- stamp and registration duties
- disbursement under-provision
- rebates or discounts, if mentioned in the invoice and are not the remuneration of a provision of the service of the debtor (Cf. article 365.2 of the GTC).

### Exempt supplies

Some operations are VAT exempted (article 361 of GTC). The exemptions concern:

- health care. However, the exemption does not apply for certain hospital services which are excluded from the scope, including the rental of rooms and other hotel amenities provided in private establishments (cf. Finance law for the year 2023 – article 361-1 of the GTC).
- unprocessed food
- education
- banking, insurance and reinsurance, (specific taxation applies)
- farming
- fishing activities
- operations related to exports of goods and services
- real estate transactions subject to registration duties
- import of goods whose supply is exempted of VAT etc
- imports, deliveries and services performed for companies holding a prospecting/exploration hydrocarbon authorisation or mineral/petroleum substances prospecting permit and their subcontractors during the period of validity of the permit or authorisation and their renewals and during the development phase (Article 361 - 25 of the GTC - 2019 Amending Finance Law)

- deliveries and imports of agricultural equipment and agricultural works and services (until December 31, 2026). The list is jointly fixed by the ministers of finance and agriculture (Law 2022-19 of 27 May 2022 amending the Finance Law for the year 2022 – article 361-26 of the GTC. )
- equipment deliveries for the production of renewable energy and renewable energy deliveries through producers. The list is jointly fixed by the ministers of finance and renewable energy. This decree was issued on 28 May 2020. Based on the decree, the exemption is applicable to the equipment intended for the production of energy from solar, wind and biogas sources (photovoltaic solar panel, photovoltaic inverter, solar battery, charge regulator, etc.)
- service provisions by approved tourist accommodation providers and media companies, for the period 1 October 2020 to 31 December 2021.
- the supply of water and electricity to a household whose consumption does not exceed the social bracket established by decree of the minister of finance. (Law No 2022-22 of 19 December 2022 relating to finance law for the year 2023).

### Zero-rated supplies

No supplies are zero-rated, but economic operators who are exempted because of exportation activities may deduct input tax and obtain a reimbursement of the corresponding credit, subject to certain conditions.

### Special rated supplies

Services rendered by licensed tourist accommodation establishments are special rated. The VAT rate is 10%.

### Advertising prices

Advertising revenues are not exempted from VAT (Article 361 of the GTC).

Furthermore, advertising costs on goods and services whose advertising is prohibited do not benefit from VAT deduction.

## International trade

### Imports

#### Goods

Imports of goods are subject to VAT at cost, insurance and freight (CIF) value.

#### Services

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

### Goods

Exports of goods are exempted from VAT. Refunds to foreigners are not possible in practice.

### Services

Export of services are also exempted from VAT. The mechanism is the same as for goods.

## Place, time and value of supplies

### Place of supply

#### Supply of goods

The place of delivered goods taxation is located where the property is at the time of delivery. This takes place with these provisions (article 356 GTC):

- In case of delivery of gas, electricity, heat, cold or similar, the place of taxation is in Senegal if these goods are delivered in Senegal.
- In case of the shipment or transport of goods, the place of taxation of the delivery of goods is located at the place where the goods are at the time of the departure of the shipment or transport of the goods to the customer ends.
- When the place of departure of the shipment or transport of the goods is in a third country, the place of taxation of the delivery made by the importer is located in Senegal when the goods are imported into Senegal.
- If the goods are installed or assembled by the supplier or on his behalf, the place of taxation is located at the place where the installation or assembly is carried out.

#### Provision of services

The place of taxation of the services is located in Senegal when the service is used there or when the person to whom the service is rendered is established there (Article 357 of the GTC).

However, the place of taxation of services related to a real property is the place where the property is located.

Telecommunication services are considered not to be used in Senegal when the beneficiary is established abroad and the service is made by a public service operator in the telecommunications field.

### Time of supply

The chargeable event for supply of goods and provision of services is upon occurrence of the soonest event below:

- payment of the price (or instalment payments)
- invoicing/posting of the services
- performance of the services.

Finally, the time of supply for importations is at the time of customs clearance.

### Value of supply

For companies subject to the actual income regime or simplified actual income scheme, the taxable basis is made up of the counterpart received or to be received by the supplier or the service provider.

When the counterpart is received in whole or in part, the value is determined based on the normal selling price of a similar delivery or service.

According to Article 364-2 of the GTC, the following will be included in the taxable basis:

- the taxes, excluding VAT itself
- the ancillary costs, including insurance and transport costs, commissions, etc.
- the extra cost, whatever the cause is, and equalisation payments.

## VAT compliance

### Accounting basis and tax period

The financial statements shall follow the following local accounting standards:

- West African Accounting System (SYSCOA)
- OHADA Uniform Act related to the accountant law

The financial statements are based on the accounting year, which corresponds to the civil year.

For new companies, the length of the first accounting year can, exceptionally, be less or more than 12 months, without exceeding 18 months.



## Returns and payment of VAT

VAT returns must be filed and VAT paid within 15 days after the end of the month within the tax event.

Type of operation	VAT generating event	Date of payment/filing
Provision of good	Delivery of the goods	Within 15 days of the next month following the provision of goods
Provision of service	Upon occurrence of the soonest event below: <ul style="list-style-type: none"> <li>• payment of the price (or instalment payments)</li> <li>• invoicing/posting of the services</li> <li>• performance of the services.</li> </ul>	Within 15 days of the next month following the generating event
Importation	Customs clearance	When clearing customs duties

## Interest and penalties

### Interest

According to article 665 of GTC, in case of late payment, the administration could claim 5% interest plus 0,5% additional interest for each month, or fraction of the month, of the late payment.

### Penalties

According to article 671 of GTC, the penalty for the non-payment of taxes is 25%. However, in the case of lack of payment of collected VAT to the administration (VAT has effectively been collected by the taxpayer but has not been paid to the tax authorities), 50% penalties will apply.

### Refunds

In case of excess of the input tax against the output tax, the taxpayer qualifies for a repayment from the government. The taxpayer may request for VAT refund quarterly or before the limitation period of two year-ends, following the chargeable event of the VAT. Otherwise, the VAT credit is definitely lost (Article 391 of the GTC).

However, the taxpayer may apply for VAT refund during the month following the month in which the non-charged credit VAT has been noticed. This applicable in the context of resale of goods to recipients outside the country, input deductible tax on goods or services used for the implementation of a project with the government, public institutions, stated-owned companies and which project is financed with foreign subsidies or foreign loans  
Objections and appeals.

Any liable person can contest liability for VAT in front of the courts, after the receipt of confirmation of reassessment 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.

## Online application for VAT credit refunds

Taxpayers may now apply for VAT credit refunds directly by electronic means in accordance with the procedures set by decision of the head of the tax administration. (Cf. article 26 of the Finance Law for the year 2023 – article 393 of the GTC).

## 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.

## Withholding VAT obligation

### Appointment of withholding VAT agents for foreign companies

When services are subject to VAT, foreign providers must designate a fiscal representative for the payment of VAT. If not, the Senegalese debtor has to pay the VAT on behalf of the foreign provider.

The fiscal representative must be subject to VAT (Article 355 of the GTC).

### Withholding VAT system

Withholding VAT is a system of recovery which consists in withholding, at the source, during the payment, a fraction or the totality of the tax due on the operation.

Operations related to any contract paid, notably by the following, are subject to VAT withholding:

- the state, other public collectives, public establishments, national societies
- building and public works enterprises registered at the department of large enterprises
- producers or importers of cement, etc.

### Withholding VAT system exemptions

The withholding tax system does not apply to:

- the supply of goods and services rendered by individuals or companies registered in the department responsible for large enterprises
- the supply of goods and services rendered for the benefit of state agencies
- when the supplier or the service provider holds at least 20% of the shares forming the capital of his client or vice versa, excluding, however, operations for which the state, the public authorities or public institutions are beneficiaries of supplies or services

- electricity supply operations carried out for the benefit of electricity utility contractors
- supply of goods and services performed by individuals or companies registered with the Centre des Moyennes Entreprises (midsize companies centre) (from January 1, 2015)
- transactions covered by any contract paid by public institutions, national companies, majority-state-owned companies and public service operators, particularly with regard to water, electricity and telephone, carried out by companies registered (from January 1, 2025).

### Withholding VAT compliance

The person liable for VAT on transactions subject to the withholding tax system is the purchaser of the delivered goods or the beneficiary of the services provided.

The VAT relating to these transactions is liquidated at the rate in force on the date of the payment considered as the generating event.

The VAT is paid by the persons listed above, for which they are obliged to retain in full and declare it, at the time when it is payable on a prepayment declaration, separately from their VAT return.

This VAT is paid to the competent collection office.

## VAT refunds

### When are VAT refunds due

VAT refunds are due within 15 days of the approval of the refund application by the tax authority. The reimbursement is made by cheque, bank transfer or tax certificate approved by the ministry of finance or at the taxpayer's request by delegation of the head of the tax authority under the taxpayer request.

It should be noted that the VAT credit will be refunded once the taxpayer has paid his existing tax debts.

The application for restitution must be examined by the administration within 30 days following the submission month of the application (as per article 36 of the Finance Law).

However, this period shall be limited to one month from the date of application filing for any taxable person who has already successfully submitted a request for refund and who, moreover, has not been reassessed during the four years preceding the filing of this first refund application (Article 393 of the GTC).

## Record-keeping

### Tax invoices

Any taxpayer subject to VAT must issue his invoice by including the following mentions:

- exact name and address, tax identification number, trade register number
- nature and quantity of the goods or services
- amount exclusive of VAT, VAT rate, VAT amount, amount inclusive of VAT
- invoice number
- the exemption provision from the tax code (if VAT is not applicable)
- the bank account into which the payment should be made.

The Senegalese entity generally uses the French language and the local currency when issuing invoices. However, invoices may be in a foreign language and currency.

### 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
- banking documents proving that payment has been made by the importer.

### Records retention

Any records and books of account (books, registers, declarations, receipts, contracts, documents, supporting documents etc.) must be kept for a period of ten years in Senegal.

The retention of records in electronic or scanned format is allowed, provided certain conditions are met.

## Specific VAT rules

### Bad debts

VAT on bad debts is recoverable. A claim must be made to the tax administration.

### Digital economy

The tax code does not provide rules for the digital economy.

## Land and buildings

Renting of residential blocks is exempt from VAT if they are unfurnished. The sale of land and buildings is exempt from VAT where stamp duties are applicable.

## Leasing

Leasing operations are exempt from VAT where related to goods, the supply of which is also exempted.

## Promotional gifts

VAT on promotional gifts is recoverable if the value of each item is not above XOF 20,000 (Article 352 of the GTC).

## Second-hand goods

VAT applies on second-hand goods resold by second-hand goods dealers following a specific regime according to article 371 of GTC.

The margin scheme applies when the dealer has purchased those goods in order to sell them to:

- a non-taxable person
- another taxable person to the extent that the delivery of the goods by that other taxable person has been exempted from VAT
- another dealer in second-hand goods under the margin scheme.

The taxable amount is equal to the difference between the dealer sales price of second-hand goods, exclusive of VAT, and the purchase price of the same goods.

Resales which are not subject to the margin scheme are subject to the normal VAT regime. Furthermore, the second-hand goods dealer may deduct VAT on goods acquired for resale.

VAT does not apply on second-hand goods resold by their user (Administrative Letter n°444 MEFP/DGID/DLEC/BL of 19 May 2015).

## Tourism industry

There is a 10% reduced rate that applies to services rendered by licensed tourist accommodation establishments.

A derogatory tax regime has been provided by the finance law 2021 for the actors of the tourism and press sector for the period 1 October 2020 to 31 December 2021, exempting them from VAT. This derogatory tax regime was repealed by the 2021 Amending Finance Law.

## Currency conversion

Not applicable.

## Transfer of business

Transfer of a business is liable to registration duties. No VAT is 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 duties

In the case of the importation of goods, some taxes are applicable, such as customs duty, which ranges from 0% to 20%.

However, there is an exemption for essential social goods such as medicines, medical and surgical devices, newsprint, books, newspapers, condoms, wheelchairs, certain fertilisers, etc.

Other indirect taxes include:

- statistical tax — 1%
- Programme of Modernisation of the Customs Administration — 1.5% (on the customs value of eligible goods)
- discharge ticket — 0.5% (on the customs value of eligible goods)
- solidarity community levy — 0,8%
- CEDEAO levy — 0.5% (only applicable among CEDEAO countries)
- COSEC levy — 0.4% (only applicable on importation by sea).

### Excise duties

The products on which the Senegalese authorities levy excise tax, and the relevant excise tax rates (indirect taxes), are as follows:

- beverages:
  - 50% for beverages containing alcohol and alcoholic liquids (Article 413-a of the GTC, 2018 Amending Finance Law)
  - For alcoholic beverages, an additional tax is applied, regardless of the container and is determined as follows:
    - XOF 2,000 per litre of alcohol for alcoholic beverages with a strength of more than 6° of pure alcohol and less than or equal to 15°
    - XOF 6,000 per litre of alcohol for alcoholic beverages with a strength of more than 15°.



- The additional tax is calculated on the basis of the alcohol content of each litre of beverage . However, it does not apply to bulk wines intended for bottling and contained in packages of 200 litres or more (Law 2022-19 of 27 May 2022 amending the Finance Law for 2022).
- 5% for other beverages and liquids (Article 413-b of the GTC)
- tobacco — 65% (Article 434 of the GTC, 2018 Amending Finance Law)
- coffee — 5% (article 426 GTC)
- tea — 5% (article 428 GTC)
- food fats — rate varies from 10% to 15% (Article 431 of the GTC, Law n°2018-10 of March 30, 2018 amending the GTC). With the 2021 Finance Law, the tax on fats now applies to food preparations made from raw or cooked meat, known as ‘charcuterie’;
- private cars with a horsepower rating superior to 13CV — 10% (Article 440 of the GTC);
- cosmetic products — 15% (Article 442 of the GTC, 2018 Amending Finance Law);
- oil products — rates per nature and per hectolitre: XOF 21,665 for super petrol, XOF 19,847 for conventional petrol, XOF 3,856 for petrol for the use of pirogues, XOF 10,395 for diesel
- plastic bags — (Article 444 bis of the GTC, see below)
- textiles – 5%.

The Finance Law of 2022 has modified article 431 of GTC regarding food fats as follows:

- crude oils intended to be refined in Senegal
- dietary fats intended for use in Senegal
- crude palm oils and palm kernels intended for the manufacture of soap in Senegal.

Also, fabrics acquired by a taxable person subject to a real system of taxation intended for the manufacture of clothing in Senegal are exempt from the textile tax.

## Stamp duty

Among the transactions subject to stamp duties are any documents pertaining to registration formalities; acknowledgment of payment in cash; and bills of exchange.

The stamp duty is XOF 2,000 per page. There are also stamp duties due on payments made in cash: 1% if the payment is higher than XOF 100,000. If below this amount, then there is no stamp duty.

## Tax on plastic bag packaging and wrapping

A tax is levied on plastic bags, pouches and cones or similar materials, produced or imported into Senegal with or without content.

It also applies to bottles and other non-recoverable packaging made of plastic or similar materials, with or without contents, produced or imported into Senegal.

Nevertheless, preforms and films manufactured in or imported into Senegal are exempt from this tax. (Art.444 bis of the amending finance Law for 2022 - Law n°2022-19 of May 2022).

The tax is fixed as below (ART.444 ter of the Law 2022-19):

1. for packages with contents:
  - a. products in Senegal:
    - 0.5% of the transfer price of products contained in packages with a volume of less than 20 litres or a weight of less than 25 kg
    - 0.3% of the transfer price of products contained in packages with a volume of 20 litres or more, or a weight of 25 kg or more
  - b. imported:
    - 0.6% of the customs value of products contained in packages with a volume of less than 20 litres or a weight of less than 25 kg
    - 0.8% of the customs value of products contained in packages with a volume of 20 litres or more or a weight of 25 kg or more
2. for packages without contents:
  - a. products in Senegal:
    - 1.5% of the transfer price
  - b. imported:
    - 2.5% of the customs value.

## Tax on food broths

A 15% tax is applicable to food broths produced or taken into Senegal for direct consumption (cf. article 442 bis of the Law n°2021-29 of July 2021, relating to Finance law for 2021.



# Seychelles



## Contact details

<b>Physical address</b>	<i>PwC does not have an office in Seychelles. PwC Mauritius, based in Moka, offers consultancy services to foreign investors.</i>
<b>Postal address</b>	PwC Centre, Avenue de Telfair, Telfair 80829, Moka, Republic of Mauritius
<b>Tel</b>	+230 404 5000
<b>PwC contact</b>	
Dheerend Puholoo	d.puholoo@pwc.com
Yamini Rangasamy	yamini.rangasamy@pwc.com
Shafeenaz Molotoo	shafeenaz.molotoo@pwc.com
Uzma Abdool Rahman	uzma.w.abdool.rahman@pwc.com
<b>Website</b>	<a href="http://www.pwc.com/mu">www.pwc.com/mu</a>

## Introduction

VAT took effect as of 1st January 2013 and replaced the goods and services tax (GST) which had been in existence since 2001. The VAT Act was passed in the national assembly in December 2010. The VAT system is administered by the Seychelles Revenue Commission (SRC), led by the Revenue Commissioner. VAT is recoverable from the recipient of the supply.

## Rates and scope

The standard VAT rate of 15% is levied on all taxable supplies that are not zero-rated, made by a taxable person and on taxable imports made by any person. A taxable person refers to a VAT registered person or a person required to be registered under the Act.

A taxable supply is a supply of goods (immovable or tangible movable property, including animals, but not including money) or services that are not exempt and is made in the course or furtherance of an enterprise carried on in Seychelles. This also includes a deemed taxable supply under this Act.

A supply of goods means a sale, exchange, or other transfer of the right to dispose of goods as owner, including under a hire purchase agreement. A supply of services means anything done that is not a supply of goods or money, including the grant, assignment or surrender of any right and the making available of any facility or advantage.

## VAT registration

### Compulsory registration

The registration threshold (in Seychellois rupee/ SCR) is SCR5m. If the value of a person's 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.

Any reference to a 'person' means an individual, entity, partnership, trust, estate, Government body, or public international organisation.

When determining whether a person has exceeded the threshold, the Revenue Commissioner will ignore the sale of any capital assets (tangible or intangible assets having a useful life of longer than one year, excluding trading stock) and taxable supplies made solely as a consequence of the person selling the whole or a part of their enterprise or permanently ceasing to carry on the enterprise.

The Revenue Commissioner may also treat the value of taxable supplies made by an associate of the person when determining whether the threshold has been exceeded, if the commissioner is satisfied that it is appropriate to do so having regard to -

- the enterprises carried on by the persons
- the way in which those enterprises are carried on
- the connections between the persons and their enterprises
- any other relevant matter.

The application for registration must be lodged in the prescribed form within 14 days of the person becoming required to apply for registration. Where a person is required to be registered, but has not yet lodged an application, the Revenue Commissioner may register such person from the beginning of the first period in which they were required to be registered.

## Voluntary registration

Any person who, in the course of their enterprise, makes or intends to make taxable supplies may apply for voluntary registration. Registration in such cases will be granted where: the person has a fixed place from which their enterprise is conducted, the person is keeping proper records of their enterprise and has complied with its obligations under other revenue laws and there are reasonable grounds to believe that the person will keep proper records and furnish regular and reliable VAT returns.

## Branch registration

An enterprise conducted by a person in branches or divisions is treated as a single enterprise for VAT purposes. An enterprise conducted in such a way must be registered in the name of the person and not in the names of the branches.

## Non-residents' registration

Where a non-resident person meets the compulsory registration requirements but does not carry on their enterprise through a fixed place in Seychelles, the non-resident must appoint a VAT representative in Seychelles and may be required to lodge security, by bond, deposit, or otherwise, if required by the commissioner.

The VAT representative would be a person controlling the person's affairs in Seychelles, including a manager of any business of such person, and is responsible for doing all things required of the non-resident person under the VAT Act, including applying for registration, the furnishing of VAT returns, and the payment of VAT.

## Deregistration

A registered person who ceases to make taxable supplies must apply to the Revenue Commissioner for cancellation of their registration within seven days of the date on which the person ceased to make taxable supplies. A registered person who continues to make taxable supplies but no longer exceeds the threshold, may also apply to the commissioner for cancellation of their registration.

Where a person has not furnished regular and reliable VAT returns or has not complied with its obligations under other revenue laws and there are reasonable grounds to believe that the person will not keep proper records or furnish regular or reliable VAT returns in future, the Revenue Commissioner may cancel the person's registration without application.

The person must pay output VAT on any goods on hand, other than capital goods, at the time of deregistration where the person was allowed an input tax credit on such purchases. The disposal is deemed to take place immediately before the person's deregistration.

## Output tax

### Calculation of VAT

VAT is calculated by applying the VAT rate of 15% to the value of the supply or import, where the value is the VAT exclusive amount.

### Exempt supplies

The following is a selection of supplies of goods or services that are exempt. The full list can be found in Part II of the First Schedule to the VAT Act:

- an import of goods if their supply in Seychelles would be an exempt or zero-rated supply
- certain listed food, medicine and other items imported or locally produced (e.g. meats, fish, fruit and vegetables)
- financial services by a person carrying on a business as a financial institution
- educational services including any textbooks or stationery supplied in relation to such services
- internationally donated goods or services to a non-profit body
- life insurance premiums, health insurance premiums, marine cargo insurance premiums, insurance premiums under the agriculture disaster and fisheries insurance scheme or a reinsurance contract by a person carrying on the business of a licensed insurer or reinsurer
- government hospital, medical and dental services including government ancillary services
- public utility services
- services for construction of residential dwellings, including renovation and extensions of such dwellings as well as the leasing or renting of such premises

- broadcasting services by a licenced service provider
- the transfer of land and rights therein
- the leasing of an asset subject to a financial lease as defined under the Financial Leasing Act, 2013.

## Zero-rated supplies

The following is a selection of supplies of goods or services that are zero-rated. The full list can be found in the Second Schedule to the VAT Act:

- any goods manufactured in, or imported into, Seychelles for the purpose of export where the goods have actually been exported from Seychelles
- services supplied directly in connection with temporarily imported goods
- goods or services supplied by a business involved in the manufacture of petroleum products
- certain telecommunications services supplied to non-residents
- services supplied to a person who is outside Seychelles if: the services are directly related to land located outside Seychelles, the services are physically performed on goods located outside Seychelles or the services are advertising or electronic services in relation to an enterprise carried on by the person outside Seychelles
- a grant, transfer or assignment of a copyright, patent, licence, trademark or similar right for use outside Seychelles
- international transport services
- goods or services supplied as part of the transfer of an enterprise or part of an enterprise as a going concern by a registered person to another registered person under certain conditions
- transportation of cargo by sea to inner and outer islands
- port services, where the services are directly connected to international transport services or rendered to a non-registered person.

## Input tax

### Input tax allowed

A taxable person is allowed an input tax credit for the tax imposed on the acquisition of goods or services by the person to the extent that the acquisition was for the purposes of making taxable supplies.

The input tax credit is allowed in the VAT period in which the tax is paid, provided the taxable person holds the required documentation. Where the person does not yet have the documentation, the input tax credit is allowed in the first VAT period in which the documentation is obtained.

## Input tax expressly denied

An input tax credit for the acquisition of the following items is not allowed:

- passenger vehicles, spare parts or repair services for such a vehicle, unless the person's enterprise involves the dealing in or hiring of such vehicles and the vehicle was acquired for such purpose
- petroleum products, unless those products are wholly for use in the person's enterprise
- items acquired for entertainment purposes, unless the entertainment was provided in the ordinary course of the enterprise carried on and was not provided to an associate or employee, or the entertainment was provided while the recipient was away from home for the purposes of the enterprise
- to the extent the acquisition is used to provide accommodation, unless:
  - the person's enterprise involves providing accommodation and the accommodation was provided in the ordinary course of the enterprise or
  - the accommodation was provided while the recipient of the accommodation was away from home for the purposes of the enterprise
  - the acquisition provides membership or entrance for any person in a sporting, social, or recreation club, association or society.

## Input tax denied based on supplies

Where goods or services are acquired partly to make taxable supplies and partly to make other supplies, the input tax credit allowed is calculated using the ratio of the value of taxable supplies to the value of total supplies made. Where the ratio is more than 0.9, the taxable person is allowed a full input tax deduction and where the ratio is less than 0.1, the taxable person is not allowed to deduct any input tax.

## Adjustments

Post supply adjustments are applicable if:

- a supply is cancelled
- the nature of the supply is fundamentally varied or altered
- the consideration for a supply is altered
- the goods (or part thereof) are returned to the supplier.

If the VAT properly chargeable exceeds the VAT actually accounted for by the supplier, the excess amount must be treated as output tax by the supplier.

Where a debit note for the excess has been issued, the recipient must treat the additional VAT indicated as input tax paid in the period in which the debit note is received.

If the VAT actually charged by the supplier exceeds the VAT properly chargeable, the supplier is allowed an input tax credit for the excess amount unless the recipient is not a taxable person, in which case no input tax credit is allowed until the amount specified in the credit note is paid by the recipient.

Where a credit note for the excess has been issued, the recipient must treat the additional VAT indicated as output tax paid in the period in which the credit note is received.

## Preregistration and post-deregistration VAT

There are certain conditions under which a taxable person may claim an input tax credit for goods held, at the time of registration, for the purposes of making taxable supplies.

The input tax may be claimed in the first VAT return furnished by the person after registration.

If the person is not in possession of the relevant documentary evidence when the VAT return is to be furnished, no input tax credit is allowed in that period or any time in the future.

Post-deregistration, a person remains liable for any act done or omitted while they were a registered person in respect of the taxable supplies made by them.

## International trade

### Imports

#### Goods

Subject to certain exemptions, imported goods are subject to VAT at the standard rate of 15%. The value of an import is the sum of:

- the value of the goods for customs purposes, whether or not customs duty was actually paid
- the costs of insurance, freight and other ancillary or incidental services treated as part of the import, incurred in bringing the goods into Seychelles
- the amount of any customs duty, excise or other fiscal charge other than VAT or any fee or other charge paid in respect of the import.

If goods are reimported, after being exported, for the purpose of undergoing repair, renovation or improvement, the value of the import is the amount of the increase in the value of the goods as a result of the repair, renovation or improvement, provided the form or character of the goods has not changed and ownership of the goods has not changed since the goods were exported.

### Services

An imported service is treated as a supply made by the taxable person themselves, but only to the extent that the input tax credit would be denied if the services had not been imported.

The taxable supply is made at the time the services are performed and is valued at either the fair market value, where the supplier and recipient are associates, or the value of consideration in any other case.

If a taxable person carries on an enterprise both in and outside Seychelles, the part of the enterprise carried on outside Seychelles is treated as if it were carried on by a separate person (the overseas person), who is not a taxable person. An internal provision of services from the overseas person to the taxable person is treated as imported services.

### Exports

Goods are considered to be exported from Seychelles if they are delivered to, or made available at, an address outside Seychelles. The Second Schedule provides for the export of certain goods and services which should be treated as zero rate.

### Refunds to foreigners

A visitor may claim a refund, at the time of his or her departure from Seychelles, of the VAT paid on certain taxable goods purchased from VAT registered persons in Seychelles, such as:

- articles or jewellery of precious metals
- precious or semi-precious stones (natural or synthetic or reconstructed)
- articles of natural or cultured pearls
- carpets: silk, woollen, dhurries and chain-stitch
- crafted artefacts, arts or sculpture
- manufactured fragrance or perfume
- manufactured toiletries or fashion accessories
- cosmetic items
- accessories — handbags, sunglasses, hats/caps, backpacks and shoes
- technological and electronic devices — computers, laptops, tablets, mobile phones, music players, walkie talkies and storage devices.

The visitor claiming the refund shall present to the customs officer the unconsumed purchased goods for inspection along with their foreign passport, flight ticket or a valid boarding pass and VAT invoice.

No refund will be granted where the aggregate amount refundable is less than the administrative charge of SCR150.

## Place, time and value of supplies

### Place of supply

VAT is levied on supplies of goods and services made in Seychelles. A supply of goods is said to have occurred in Seychelles if the goods are delivered or made available in Seychelles.

A supply of services occurs in Seychelles if the enterprise of the supplier, from which the services are being supplied, is situated in Seychelles. There are also specific rules that deal with situations that are not covered by the above but are still considered to be a supply made in Seychelles such as services that are physically performed in Seychelles by a person who is in the country at the time of supply.

### Time of supply

A supply of goods or services generally occurs on the date any payment or part payment for the goods or services is made or the date the invoice is issued.

A supply between associates or by way of a gift occurs on the day the goods are delivered or on the day the performance of the service is complete.

A supply by means of a vending machine, metre or other device operated by money, is the day the money is taken from the machine.

If services are supplied by way of leasing goods, or progressively by way of periodic payments, the supply is treated as a series of separate, successive supplies of services corresponding to each relevant period. Supply is deemed to occur at the earliest each payment is due or received.

### Value of supply

The value of a taxable supply made by a taxable person is the consideration for the supply reduced by an amount equal to the consideration multiplied by the tax fraction.

The value of any other supply is the amount of consideration. A supply that is ancillary or incidental to a supply of another kind is treated as part of the principal supply. Likewise, a supply that is ancillary or incidental to an import of goods is treated as part of the import.

The sale of goods under a hire purchase agreement is treated as separate supplies of goods and credit under the agreement, provided the credit is specified as a separate charge and is disclosed to the recipient of the supply.

## VAT compliance

### Display of registration

A registered person must display, in a conspicuous place, the original copy of its VAT registration certificate at its primary place of business and a certified copy of the registration certificate at every other place of business, if applicable.

A registered person must notify the Revenue Commissioner, in writing, of any change in the name (including business name), address, place of business, or nature of the enterprise of the person within 21 days of the change occurring.

### Returns and payment of VAT

The VAT return must be submitted and payment made within 21 days after the end of each VAT period (VAT period being a calendar month), except in the case of an importation, where the VAT is paid at the time of the import.

A taxable person who has filed for voluntary registration must file a VAT return and make payment no later than the 21st of the months of April, July, October and January of any year.

All registered persons must submit a return electronically via the e-service platform as well as submit a duly signed hard copy of the return.

### Interest and penalties

Where a person has incorrectly treated a supply as zero-rated or exempt, the Revenue Commissioner may assess both the supplier and recipient of the supply for payment of the VAT due in respect of the supply and any interest and additional tax imposed as a result of the late payment. Any amount subsequently paid by the supplier will be offset against the recipient's liability and vice versa.

Where a taxable person fails to pay their VAT liability by the due date, they will be liable for interest and additional tax.

A person who, without reasonable excuse, fails to apply for registration as required under section 7 will be liable for additional tax equal to double the amount of VAT payable for the period commencing on the day on which the person was first required to apply for registration and ending on the earlier of the day the person lodges an application for registration or the person is registered by the Revenue Commissioner on the Revenue Commissioner's own motion.

## Refunds

Where the total input tax credit exceeds the total output tax for the period, the excess may be carried forward to the next period. A refund may be claimed where:

- VAT credit has been carried forward to two consecutive VAT periods and exceeds SCR10,000 at the end of the third VAT period by a compulsory registered taxable person
- a VAT credit exceeding SCR10,000 is reported on the quarterly return by a voluntary registered taxable person
- unless otherwise applicable, a VAT credit exceeding SCR10,000 is reported on a monthly return by an exporter, supplier of zero-rated goods or services or investor during the commencement phase of the business activity
- the person is engaged in farming, fishing or operating supporting activities directly related to fishing and farming and is registered with either the Seychelles Agricultural Agency or the Seychelles Fishing Authority.

Subject to the above, a refund will be granted where a taxable person has claimed for a refund on a VAT return and has fulfilled all payment obligations.

## Objections and appeals

A taxpayer dissatisfied with an assessment or revenue decision may serve the Revenue Commissioner with an objection, in writing, within 60 days of the notice of the decision. A taxpayer dissatisfied with an objection decision may then make an application to the revenue tribunal within 30 days of receiving notice of the decision.

Where a party to a proceeding before the revenue tribunal is dissatisfied with the tribunal's decision on an objection decision, they may lodge a notice of appeal against the decision to the Supreme Court within 30 days of receiving notice of the decision.

Where a party is dissatisfied with a decision of the supreme court, an application to the court of appeal may be lodged.

## VAT records

A taxable person who, for any reason, has not been issued with an original VAT invoice, VAT credit note or VAT debit note as required under the Act may make a written request to the supplier to issue the document.

The request must be made within 60 days of the date of the supply, in the case of a VAT invoice, or in the case of a debit or credit note, within 60 days of the date of the event that gave rise to the debit or credit note. Such a request must be complied with within 14 days of receipt.

The following documentation is required in order to claim an input tax credit:

- in the case of an import, a bill of entry or other documentation prescribed under the customs legislation
- in the case of a taxable supply, the VAT invoice for the acquisition
- in the case of an input tax credit allowed in terms of an adjustment, the debit note required to be issued
- in the case of an input tax credit allowed in terms of an adjustment, a copy of the credit note is required to be issued to the recipient.

## VAT invoices

Amounts taken into account under the VAT Act must be expressed in rupees. Where an amount is expressed or paid in a currency other than rupees, the amount must be converted into rupees at the applicable exchange rate in terms of either the customs legislation, in the case of imports, or the Central Bank of Seychelles mid-exchange rate, in any other case.

The requirements of a VAT Invoice are as following:

- the words 'VAT Invoice' in a prominent place
- the name, address and the taxpayer identification number of the supplier
- the description of the goods (including quantity or volume) or services supplied and the date on which the supply was made
- the consideration for the supply and the amount of VAT charged
- the name of the recipient of the supply.

The original invoice must be issued to the recipient.

## Credit notes and debit notes

A credit note must contain the following particulars:

- the words 'VAT Credit Note' or 'VAT Debit Note' in a prominent place
- the name, address and taxpayer identification number of the supplier
- the name, address and taxpayer identification number of the recipient
- the individualised serial number and the date on which the VAT credit note or debit note is issued
- a brief description of the circumstances giving rise to the issuing of the VAT credit note or debit note, including information sufficient to identify the taxable supply to which the VAT credit note or debit note relates
- where the debit note or credit note has been issued due to a supply being cancelled, the consideration for a supply being altered or the goods (or part thereof) being returned to the supplier: the consideration shown on the VAT invoice for the supply, the correct amount of the consideration,

the difference between those two amounts and the amount of VAT that relates to the difference

- where the debit note or credit note has been issued because the nature of the supply has been fundamentally altered: the VAT originally paid, the VAT paid as a result of the circumstances giving rise to the issuing of the VAT credit note and the difference between those amounts.

An original credit note must be issued to the recipient.

### Additional export documentation

The following documentary proof is considered sufficient evidence that goods have been exported, in the absence of proof to the contrary:

- the consignment or delivery of goods to an address outside Seychelles, or
- the delivery of the goods to the owner, charterer, or operator of a ship or aircraft supplying international transport services for the purposes of carrying the goods outside of Seychelles.

### Record-keeping

The following documentation must be maintained by a taxable person for the purposes of the Act:

- original or copies of all VAT invoices, VAT credit notes and VAT debit notes received by the person
- a copy of all VAT invoices, VAT credit notes and VAT debit notes issued by the person
- documentation relating to imports and exports of goods by the person
- in relation to imported services, sufficient written evidence to identify the supplier and the recipient, and to show the nature and quantity of services supplied, the time of supply, the place of supply, the consideration for the supply and the extent to which the supply has been used by the recipient for particular purposes.

The documents must be maintained in chronological order.



# Sierra Leone



## Contact details

**Physical address** No.117 Jomo Kenyatta Road, Freetown, Sierra Leone

**Tel** +232 (0) 79 998 321

## PwC contact

David Brocke david.brocke@pwc.com

Abeku Gyan-Quansah abeku.gyan-quansah@pwc.com

Laura T. Fiagome laura.t.fiagome@pwc.com

**Website** <https://www.pwc.com/gh/en.html>

## Scope of GST

Goods and Services Tax (GST) is imposed by the Goods and Services Act 2009. Unless specifically exempted, GST is charged on:

- taxable supply of goods and services
- taxable imports of goods and services.

A taxable supply is a supply made in Sierra Leone by a taxable person in the course or furtherance of a taxable activity excluding exempt supplies.

Taxable import means an import of goods other than an exempt import.

GST is chargeable when:

- a taxable supply is accounted for and paid by the supplier
- a taxable import is paid by the importer at the time of the import.

## GST rates

The GST Act provides the following rates on a taxable supply or import:

- If the supply or import is zero-rated under the first schedule, the rate is 0%.
- In any other case, the rate is 15%.

## GST registration

### Compulsory registration

A person has to register for GST at the end of the month if:

- the person exceeded the registration threshold in the period of 12 or lesser months ending on that day
- the person exceeded one-third of the registration threshold in the period of four months ending on that day
- there are reasonable grounds to expect that the person will exceed the registration threshold in the 12-month period commencing on the following day.

The registration threshold for GST is a turnover of taxable supplies exceeding SLE350,000 (approximately US\$17,140) in any 12-month period.

The following persons are required to register for GST irrespective of whether that person exceeds the threshold or not:

- promoter of public entertainment or a licensee or promoter of a place of public entertainment
- government entity or a local council that makes taxable supplies

### Voluntary registration

A business that makes taxable supplies may apply for GST registration with the Commissioner-General.

## Group or branch registration

A group of taxable persons can apply to the Commissioner-General for approval to be treated as one taxable person provided each member of the group agrees to be jointly and severally liable for any breach of the GST Act.

A person who conducts a taxable activity through one or more branches may apply for separate registration for each branch provided that each can be separately identified by reason of nature or location or its business activity and each branch maintains a separate accounting system.

## Non-residents

A non-resident person who conducts business principally in Sierra Leone and meets the registration threshold is required to register and charge GST. However, if the business of the non-resident person is through a resident agent, the GST will be payable by the resident agent and not the non-resident person.

In the case of telecommunications services, the supply is regarded as to have taken place in Sierra Leone if the supplier is a non-resident and a person physically in Sierra Leone initiates the supply whether or not the supply is initiated on behalf of another person.

The person who initiates a supply of telecommunication services is the person who is identified by the supplier or recipient of the service as being:

- the person who controls the start of supply
- the person who pays or receives payment for the services
- the person who contracts for the supply.

## Application for registration

Any person who qualifies for registration shall apply to the Commissioner-General within 30 days of the date on which the person is required to register. The Commissioner-General is required to provide a written notification of registration within 21 days of the date of receipt of the application.

The date of effect of registration is the date on which the person was required to be registered. A GST registration certificate will be issued to the taxable person after registration.

## Deregistration

A registered person who does not make taxable supplies for a six-month period and who does not intend to make taxable supplies within a further consecutive 12-month period is required to apply for cancellation within seven days after the end of the six-month period.

Any registered person whose taxable supplies do not exceed the registration threshold in a 12-month period may also apply for cancellation of its registration.

## Input GST

### Input GST allowed

A taxable person is allowed input GST credits for all of the input GST paid or payable on taxable acquisitions or imports made by the person during that tax period. The input GST has to be claimed within six months after the date on which the return was due.

### Input GST expressly denied

Input GST deductions are not allowed on the following:

- acquisition or import not made in course or furtherance of the person's taxable activity
- acquisition or import or hiring of a motor vehicle or spare parts and repair and maintenance services of the vehicles
- entertainment including food, beverages, recreation or hospitality of any kind, unless the person's taxable activity involves providing entertainment
- fees or subscription dues of a club, association or society of a sporting, social or recreational nature
- acquisition import or hiring of mobile phone handset or spare parts or repair services unless the person's taxable activity involves dealing in or hiring out handsets.

### Partial exemption

A taxable person who makes both taxable and exempt supplies shall determine the input GST credit for a period as follows:

- if the input GST relates wholly to making taxable supplies, full amount is deductible
- if any input GST relates wholly to making of supplies that are not taxable, no input tax is allowed in respect of those supplies
- if the input GST relates to making taxable and partly to making other supplies, the input tax deduction shall be apportioned based on the percentage that relates to taxable supplies.

### Preregistration or post-deregistration GST

A taxable person may within six months of becoming registered apply to the Commissioner-General to be able to claim input GST on taxable acquisitions or taxable imports made in the three months preceding the date of registration.

In the instance where the registration of a taxable person is cancelled, the person is regarded to have made a taxable supply of goods or services on hand at the time the registration is cancelled but only if the person was allowed an input GST credit in respect of the acquisition or importation of those goods or services.

## Output GST

Output GST is calculated by applying the rate of the tax to the taxable value. This is computed by first applying the 15% to the tax-exclusive amount.

### Exempt supplies

Exempt supplies include, but are not limited to:

- agricultural inputs
- supply of water, excluding bottled or other packaged and distilled water
- education services
- medical services and pharmaceuticals
- transportation of persons by bikes, buses and similar vehicles, ferry, train and air excluding internal air travel, boat and hovercraft services
- financial services, i.e. by financial institutions licensed, regulated and supervised under the Bank of Sierra Leone Act 2019 or any other similar enactment.
- crude oil and hydrocarbon products excluding lubricating oils
- goods designed exclusively for use by the disabled
- supply of animals, fish and birds imported for breeding and rearing purposes, seeds and bulb rooting imported for propagation
- plant, equipment, machinery, apparatus and appliances designed for use exclusively in agriculture, veterinary, fishing and horticulture, manufacturing and mining
- supply of rice in its raw state
- supply of land and buildings
- supply of solar and energy saving equipment
- local agricultural produce for manufacturing
- telecommunications services without consideration
- services in the aviation industry within the country
- supply of renewable energy from mini grids-connected solar power
- materials for the conduct of national elections
- arms, ammunition and security equipment imported by the government or by a person authorised by the government
- medals and medallions and other decorations imported by the government for awards.

### Zero-rated supplies

Zero-rated supplies include the following:

- export of goods including rutile and its by-products, iron ore, bauxite, gold, diamonds and other minerals
- goods shipped as stores on vessels and aircraft leaving the country.

## Advertising prices

A price advertised by a taxable person includes an amount representing the GST chargeable on that supply, whether or not the taxable person included an amount for GST when determining the price.

## International trade

### Imports

Goods imported other than exempt goods and services are subject to GST, 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 GST. The receiver of the service must account for GST by means of a reverse-charge mechanism. The reverse charge applies to services that are supplied by a non-resident to a person in Sierra Leone otherwise than through a resident agent.

### Exports

Exports of taxable goods attract GST at the rate of 0%. The zero-rate supply list does not include services. In the case of supply of services, the place of service is Sierra Leone if the supplier is resident or the supplier is a non-resident but provided the services physically in Sierra Leone by any person who is in the country at the time the services are performed.

## Place, time and value of supplies

### Place of supply

A supply of goods or services takes place in Sierra Leone if the supplier is a resident.

Should the supplier be a non-resident person and it involves goods, the place of supply is Sierra Leone when the goods are located in Sierra Leone at the time of the supply. For services, the place of supply is Sierra Leone if the services are physically performed in the country by any person who is in Sierra Leone.

### Time of supply

The time of supply of goods or services is the earlier of the time when:

- An invoice for the supply is issued by the supplier
- Any of the consideration for the supply is received
- Goods are delivered or made available for collection
- Services are performed.

## Value of supply

The value of a taxable supply is:

- where the supply is for monetary consideration, the amount of the consideration with the addition of all duties and taxes but excluding GST
- where the supply is not for monetary consideration or is only partly for monetary consideration, the fair market value excluding GST.

## GST compliance

### Accounting basis and tax period

Tax period means one calendar month.

### Returns and payment of GST

GST 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 person who fails to pay GST on or before the due date for payment is liable to a penalty equal to one-twelfth of the 364 day treasury bill rate for each month that the payment remains outstanding.

Pecuniary penalties/interest also apply on (but not limited) to:

- late submission of a return
- non-filing of a GST return
- failure to register
- failure to display a GST certificate

### Refunds

Credit is given to offset the following month's liability. A request for a refund may be made where the excess credit has been outstanding and the person has ceased operation or deregistered.

Despite this, a GST refund or input GST credit shall be utilised to offset current and future GST claims within three years. Any unutilised credit will be written off after the third year.

### Objections and appeals

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

A person who is dissatisfied with the decision of the Commissioner-General may lodge an appeal with any court with jurisdiction to hear and determine tax disputes within 60 days after being notified of the decision.

## Withholding GST

### Applicable only for professional services

A taxpayer who engages the services of a professional service provider shall pay all output GST related to the services directly to the National Revenue Authority.

### Appointment of withholding GST agents

Not applicable in Sierra Leone.

### Withholding GST exemption

Not applicable in Sierra Leone.

## GST record-keeping

### Tax invoices

GST invoices should contain the following:

- customer's name and Tax Identification Number
- description of goods or services supplied
- date of supply, invoice or payment
- invoice amount (excluding GST), GST amount and GST rate
- total inclusive of the GST.

Every registered GST trader is required to maintain an electronic cash register (ECR) as may be determined by the Commissioner-General for the purpose of recording all transactions. GST booklets for manual invoices are no longer acceptable by the tax authority.

A registered supplier must issue an invoice generated from the ECR whether that customer requests the tax invoice or not.

A person who has not received a GST invoice from a taxable person or GST registered supplier for purchase or supply made, may request a GST invoice as evidence that a taxable supply was received.

### 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. Their issuance should be based on the fact that:

- the supply has been 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

- the goods or services, or part thereof, have been returned to the supplier.

### Additional export documentation

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

### Record-keeping

Records must be kept for at least six years.

## Specific VAT rules

### Bad debts

A taxable person may recover input GST on bad debts where the recipient becomes insolvent and fails to pay all or part of the taxable amount of the sale plus the GST imposed. The input GST on the bad debts can be claimed if the amount is overdue for more than 12 months from the date on which the payment was due.

### Land and buildings

Supply of land and buildings are exempt from GST.

### Leasing

The value of a supply of goods under a finance lease does not include an amount payable in relation to a supply of credit under a lease agreement.

### Promotional gifts

Promotional gifts attract GST. Input GST may be deducted when promotional gifts are acquired.

### Secondhand goods

No specific rules apply on second-hand goods.

### Transfer of business

Transfer of a business as a going concern is outside the scope of GST.

### Warranty repairs

No special rules apply.

## Other indirect taxes

### Import duties

Import duty ranges from 0% to 35% as specified under the (Economic Community of West African States) ECOWAS Common External Tariff and Other Schedules.

### Excise duties

Excise duty is charged on some imported and locally manufactured products such as alcoholic beverages, cement and plastics.



# South Africa



## Contact details

### Cape Town

Physical address	5 Silo Square, V&A Waterfront Cape Town 8002
Postal address	PO Box 2799, Cape Town 8000
Tel	+27 (0) 21 529 2000

### PwC contact

Matthew Besanko	m.besanko@pwc.com
Annemarie Janse van Rensburg	annemarie.janse.van.rensburg@pwc.com

### Durban

Physical address	34 Richefond Circle, Ridgeside Office Park Umhlanga Ridge 4319
Postal address	PO Box 1049, Durban 4000
Tel	+27 (0) 31 271 2000

### PwC contact

Rodney Govender	rodney.govender@pwc.com
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### Johannesburg

Physical address	4 Lisbon Lane, Waterfall City, Jukskei 2090
Postal address	Private Bag X36, Sunninghill
Tel	+27 (0) 11 797 4000

Juan Swanepoel	juan.swanepoel@pwc.com
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<b>Website</b>	<a href="http://www.pwc.co.za">www.pwc.co.za</a>
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## 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. The VAT rate in South Africa is 15%.

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 15% 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. The issue, acquisition, collection, buying or selling or transfer of ownership of any cryptocurrency is considered to be a 'financial service' and not money or currency.

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 is ZAR 1m ( $\pm$  USD66,500). 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 (there is a contractual obligation in writing motivating that this threshold will be exceeded), 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, and trust funds.

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, where foreign suppliers of electronic services are required to register where supplies are made to residents of South Africa, or recipients who have a business, residential or postal address in South Africa, or payment is made from a South African bank account, and the value of these supplies has exceeded ZAR 1m ( $\pm$  USD66,500). At least two of these three provisions should be satisfied.

### Voluntary registration

A person may apply for voluntary registration if:

- their taxable supplies have exceeded ZAR50,000 in a preceding 12-month period
- they carry on an enterprise that can be expected to result in taxable supplies in excess of ZAR50,000 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 ZAR50,000 in a 12-month period

the entity falls within a category specified by the legislation, including but not limited to welfare organisations, share block companies, foreign donor-funded projects, municipalities etc., even if the ZAR50,000 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

There are two instances where non-residents may be required to register for VAT in South Africa. Firstly, where there is an enterprise activity being conducted in South Africa and the value of the associated supplies meets the criteria for a compulsory registration. Secondly, where non-residents are suppliers of electronic services. For a non-resident to register as a VAT vendor 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. However, these requirements are not required for non-residents who register for VAT due to providing electronic services, and the fiscal representative may be a foreigner.

## 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 the following documents:

- a copy of the identity document (ID) of the individual, or of the two most senior partners or directors, shareholders, members of 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 the municipal account of the business and representative
- copies of the past three months' bank statements for purposes of determining the value of the business' taxable supplies.

There are no penalties for late registration or for failing to do so. However, output tax plus penalties and interest will be due on supplies that have not 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 ten digits, starting with a '4', for example, 499 9999 999.

## Application for an electronic services registration

The registration process for foreign suppliers of electronic supplies can be done via email. The following information, translated into English, 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 a foreign tax authority
- the ID of the person responsible for the compliance

- copy of a recent bank statement for a South African or foreign bank account, whichever is applicable.

## Deregistration

A vendor whose taxable supplies do not exceed the ZAR 1m limit has the option to deregister. A vendor must apply for deregistration if their taxable supplies did not exceed the annual ZAR50,000 voluntary registration limit, or when they cease 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 the enterprise held by them immediately prior to their deregistration.

## Output tax

### Calculation of VAT

Output tax is calculated by applying the tax fraction (15/115) to the price charged. Advertised prices must include VAT. If the VAT-inclusive and VAT-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 the following goods or services are exempt:

- certain financial services, such as long-term insurance, interest and the provision of credit, exchange of currency, transactions involving letters of credit, equity securities, debt securities shares, derivatives and cryptocurrency
- 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, homeowners' associations and body corporates
- 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 the country, 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
- goods or services by a political party against payment of membership contributions.

## Zero-rated supplies

Supplies of the following goods or services are zero-rated, provided that all documentary and procedural requirements have been met.

### Zero-rated goods

- exportation of goods
- leasing of goods for exclusive use in an export country
- supply of an enterprise (or separately registered branches) 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, edible legumes, cake wheat flour and white bread wheat flour
- 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 CCA recipient by the supplier or their cartage contractor
- certain mining rights
- goods associated with animal disease grants
- 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
- supply of goods by an inbound duty- and tax-free shop
- 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 exempting the supply)
- sanitary towels (pads)

## Zero-rated services

- 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
- certain services rendered to a foreign branch
- 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) or to any person who is in South Africa at the time that the services are rendered
- 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, non-vendor employers
- housing subsidies
- certain warranty services
- municipal property rates
- horse-race winnings
- certain services supplied to international telecommunications service providers (as contemplated in the International Telecommunication Union Regulations) in certain circumstances.



## Input tax

### Input tax allowed

Input tax 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
  - where the entertainment expenses are incurred for personal subsistence for business purposes (subject to requirements)
  - where entertainment forms part of a taxable transport service
  - where food and drinks are included in the fee for a seminar
  - where the entertainment is supplied by a municipality in providing sports or recreational facilities or amenities to the public
  - where a welfare organisation incurs entertainment expenses (must relate to the carrying out of the welfare's aims and objectives)
  - where entertainment is provided to an employee at a medical care facility
  - where a meal or refreshment is supplied to a crew member of a ship or vessel
  - where entertainment is provided as a prize in a competition if the entry fees were subject to VAT
- motor cars, unless acquired by a motor dealer or rental firm for resale or rental purposes or as demonstration model, or where the motor car is awarded as a prize (conditions apply)
- 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' 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
- the extent of taxable use or application of capital goods and services (costing more than ZAR40,000) has decreased by more than 10%. Output tax, which is calculated as  $[15/115 \times \text{lesser of cost or open market value} \times \% \text{ of decreased taxable use}]$ , 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  $[15/115 \times \text{lesser of cost or open market value} \times \% \text{ of taxable use}]$  and may be made in the tax period in which the taxable application occurs
- the extent of taxable use or application of capital goods or services (costing more than ZAR40,000) has increased by more than 10%. The deduction is calculated as  $[15/115 \times \text{lesser of cost or open market value} \times \% \text{ of increased taxable use}]$  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 their VAT registration date, and who will use the goods or services subsequent to their registration as a VAT vendor, may make a deduction. It is calculated as  $[15/115 \times \text{lesser of cost or open market value} \times \% \text{ of taxable use}]$  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 Southern African Customs Union (SACU) country, namely Botswana, Lesotho, Namibia or eSwatini, the VAT payable on importation is calculated as 15% of the customs value of the goods.

Where goods are imported from outside the SACU region, the VAT payable on importation is calculated as  $[\text{customs value of goods} + 10\% \text{ thereof} + \text{customs and excise duties}] \times 15\%$ .

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 recipients in South Africa with services which would be neither exempt nor zero-rated if made by a VAT vendor 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, it must account for the VAT on its 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 ZAR100 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 15% 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.

If the supplier levies VAT at 15% on these exports, the foreign purchaser may be entitled to claim a VAT refund.

### 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
- 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 15%. 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 (through a designated commercial port) 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 contains limited place-of-supply rules, uncertainties and disputes have arisen as to when foreign enterprises making supplies in South Africa, for example by way of local agents, must be registered as vendors in South Africa.

Provisions have been introduced that foreign suppliers of electronic services are required to register if they supply electronic services to any person resident in South Africa. The definition of an 'electronic service' has been revised with the issue of a new Regulation (Regulation No.429 published in Government Gazette No. 42316 dated 18 March 2019) effective 1 April 2019, which has widened the scope of electronic services.

'Electronic services' is defined as any services supplied by means of an electronic agent, electronic communication or the internet for any consideration, with the exception of certain educational services, telecommunications and specific services supplied between companies in the same group of companies.

## 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, and 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, whichever is earlier
- goods supplied progressively or periodically and construction services — when each payment becomes due or is received, or an 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
- temporary letting of fixed property — in the tax period when the agreement for the letting and hiring of the accommodation in a dwelling comes into effect
- coin-operated machines — the time of supply for

the supplier is when the coin or token is taken from the machine, while time for the recipient is when the coin or token is inserted into the machine

- goods supplied under an agreement (other than instalment credit agreement or rental agreement) for which the whole consideration is not determined — when and to the extent that any payment is due or received, or an invoice is issued, whichever is earlier
- supplies between connected parties — particular time-of-supply rules and provisions apply.

## 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.

$$\text{Consideration} = \text{Value} + 15\% \text{ VAT}$$

$$\text{VAT} = \text{Consideration} \times 15/115$$

Various special rules apply, for example:

- supply to a connected person for less than the open market value of the supply or the consideration cannot be determined at the time 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
- supply of temporary letting of residential property — value is the consideration of the adjusted cost to the vendor of the construction, extension or improvement of the fixed property or the portion of the fixed property supplied
- 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
- no price is paid and no special rule applies — value is nil.

# VAT compliance

## Accounting basis and tax period

Tax periods are periods of one, two, six or twelve months, depending on the vendor's circumstances:

- one month — compulsory for vendors with annual taxable turnover in excess of ZAR 30m, other vendors may apply
- six months — agricultural, pastoral or other farming enterprise with annual taxable turnover not exceeding ZAR 1.5m 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 by way of the SARS e-filing payment facility, at a branch of an approved bank (but not at SARS offices), and by way of electronic funds transfer (EFT).

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
- 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' side, a serious financial hardship, or other circumstances of analogous seriousness.
- An 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 refund due to a vendor 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' 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
- the High Court and/or Supreme Court of Appeal — appeal by any party who feels aggrieved by the judgement 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', 'VAT invoice' or '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
- 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, and the rate of VAT charged.

If the consideration for the taxable supply does not exceed ZAR5,000, the supplying 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.

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 South African rand based on prescribed exchange rates must be reflected on the tax invoice.

The Commissioner has issued a regulation on the requirements for tax invoices for electronic services, which must include the following information:

- the name and VAT registration number of the electronic services supplier
- the name and address (physical, postal or email address) of the electronic services recipient
- an individual serialised number
- the date of issue
- a description of the electronic services supplied
- the consideration in money for the supply in the currency of any country. If the ZAR currency is used, the amount of the VAT charged or a statement that it includes a VAT charge and the rate at which the VAT is charged must be reflected. If another currency is used, the amount of the tax charged in ZAR, converted at the prescribed exchange rate, or a separate document, must be issued by the electronic services supplier reflecting the amount of tax charged in ZAR
- the exchange rate, at the prescribed rate, used.

Electronic invoicing is generally accepted provided the above requirements are satisfied. Documents kept electronically should be readily accessible when requested by SARS and should be stored in a format which allows SARS to read and correctly analyse the data. The format used for storage must preserve the integrity of the data. Government Notice 787 issued in Government Gazette 35733 sets out the relevant requirements for electronic document retention.

Further, these records must be maintained at a place physically located in South Africa (i.e. the computer servers must be in South Africa), unless a senior SARS official grants the person authority to keep the records at a location outside South Africa and subject to various requirements being met.

## 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
- 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 its output tax for the period in which the debit note was issued, and the recipient (if a registered vendor) may increase its input tax to reflect the debit note. Where a credit note was issued, the supplier has an option to either decrease their output tax or increase its input tax. The opposite applies to the recipient (if registered as a vendor).

The Commissioner has issued a regulation on the requirements for credit or debit notes for electronic services, which must include the following information:

- the name and VAT registration number of the electronic services supplier
- the name and address (physical, postal or email address) of the electronic services recipient
- a brief explanation of the circumstances giving rise to the issuing of the credit or debit note

- the increased or decreased consideration together with the increased or decreased amount of tax. If the ZAR currency is used, the increased or decreased amount of the VAT or a statement that the consideration includes the increased or decreased amount of VAT and the rate at which the VAT was charged. If another currency is used, the increased or decreased amount of the tax in ZAR or a separate document is issued by the electronic services supplier reflecting the increased or decreased amount of tax in ZAR
- the exchange rate used, being the exchange rate used for the tax invoice.

## 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

other specific documents, depending on the mode of transport.

## Record-keeping

Records must be kept for a period of five years. SARS can perform 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
- 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, it 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 they have made (or are expected to make) taxable supplies of such accommodation of more than ZAR120,000 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 earliest.

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 deduct 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 (15/115) 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).

Furthermore, a recent court case judgement reiterated the principle that the full charge of tour packages arranged for foreign tour operators may also be considered standard-rated supplies as the tourists will be in South Africa when the services (e.g. accommodation, food and beverages etc) are rendered, irrespective of whether the foreigner was outside South Africa when the tour was arranged or purchased.

Therefore, the VAT rate applicable will be dependent on the facts and circumstances and where the services will be rendered.

## 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
- 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.

## Reverse charge on valuable metals

Effective from 1 July 2022 National Treasury released Regulations imposing a domestic reverse charge (DRC) on the supply of valuable metals. The main purpose of the DRC is to curb VAT refund fraud that had been prevalent in the second hand gold market. Valuable metals is defined as any goods containing gold in the form of jewellery, bars, blank coins, ingots, buttons, wire, plate, granules, in a solution, residue or similar forms, including any ancillary goods or services.

The DRC applies to standard-rated sales of valuable metal between registered vendors. Under the Regulations, the purchaser (i.e. recipient) and not the seller will be required to declare the VAT charged on the sale of valuable metal to SARS in its VAT 201 return. The recipient will be entitled to an input tax deduction only if the VAT amount levied by the seller has been declared and paid in the recipient's VAT 201 return.



The seller must issue a tax invoice to the recipient within 21 days of the date of the supply with additional information such as the supply is subject to the DRC and a statement that the amount of VAT charged must be accounted for and paid (on behalf of the seller) by the recipient. However, where approval is granted, the recipient may issue the tax invoice (i.e. recipient created tax invoice).

The recipient must notify the supplying vendor in writing by means of a statement within 21 days after the end of the calendar month during which a tax invoice was issued to the recipient vendor. The statement must contain, amongst others, the following particulars:

- the tax invoice number
- the value of the DRC supplies
- full and proper description of the valuable metal as well as the percentage of the gold content contained within the valuable metal
- confirmation that the VAT charged by the supplier was accounted for and paid to SARS by reflecting the applicable tax period and payment reference number (this number is generated by SARS regardless of whether the return for the tax period results in a payment due by or a refund due to the recipient) issued by SARS.

## 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 eSwatini (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.

Government has proposed to apply a flat excise duty to both electronic nicotine delivery systems and electronic non-nicotine delivery systems.

### Environmental levies

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<sup>2</sup>) vehicle emissions.

### Carbon tax

The Carbon Tax Act No. 15 of 2019 became effective on 1 June 2019. Carbon Tax, at a rate of R159/ per tonne of carbon dioxide equivalent (tCO<sup>2</sup>e) for the 2023 tax period (1 January 2023 until 31 December 2023), must be levied in respect of the sum of the scope 1, direct greenhouse gas (GHG) emissions of a taxpayer. The GHG emissions resulting from fuel combustion, industrial processes and product use as well as fugitive emissions expressed as a carbon dioxide equivalent will be taxable. A person conducting an activity in South Africa resulting in GHG emissions equal to and/or above the prescribed thresholds, as provided for in Schedule 2 of the Carbon Tax Act, will be subject to carbon tax.

Taxpayers can leverage tax-free allowances that will reduce their tax obligation. These allowances will be administered as rebates, in terms of Schedule 6 of the Customs and Excise Act. The allowances are as follows:

- Basic tax free / allowance for fossil fuel combustion – 60%.
- Allowance for industrial process emissions – 0% to 10%.
- Allowance in respect of fugitive emissions – 0% to 10%.
- Trade exposure allowance – 0% to 10% (capped at 10%).



- Performance allowance – 0% to 5% (capped at 5%).
- Carbon budget allowance – 5% (the carbon budget allowance was set to have fallen away from 1 January 2023. However, given the delay in the promulgation of the Climate Change Act encompassing the mandatory carbon budgeting system, the carbon budget allowance is yet to be repealed).
- Carbon offset allowance – 5% or 10%.

Multiple allowances can be granted to the same taxpayer. However, the total may not exceed 95%.

The abovementioned carbon tax allowances will remain unchanged until the end of Phase One of the carbon tax regime (Phase One runs until 31 December 2025). Phase 2 of the carbon tax regime is set to commence on 1 January 2026, whereinafter, it is anticipated that the above allowances will be reduced, and the carbon tax rate significantly increased, to bring the rate in line with global carbon prices.

The Taxation Laws Amendment Act, 2022 (TLAA), has provided the carbon tax rate trajectory for the period 2023 – 2030, the rate increases per the TLAA will be as follows:

- R190/tCO<sup>2</sup>e for tax period from 1 January 2024 until 31 December 2024
- R236/tCO<sup>2</sup>e for tax period from 1 January 2025 until 31 December 2025
- R308/tCO<sup>2</sup>e for tax period from 1 January 2026 until 31 December 2026
- R347/tCO<sup>2</sup>e for tax period from 1 January 2027 until 31 December 2027
- R385/tCO<sup>2</sup>e for tax period from 1 January 2028 until 31 December 2028
- R424/tCO<sup>2</sup>e for tax period from 1 January 2029 until 31 December 2029
- R462/tCO<sup>2</sup>e for tax period from 1 January 2030 until 31 December 2030.

‘Persons’ and/or ‘Data Providers’ operating in South Africa, who conduct activities resulting in GHG emissions equal to or above the prescribed thresholds, as provided for in Annexure 1 of the National Greenhouse Gas Emission Reporting Regulations (NGER Regulations) as well as Schedule 2 of the Carbon Tax Act, will be considered as taxpayers under the Carbon Tax Act and as a data provider under the NGER Regulations. Persons and/or data providers will be required to submit carbon budgets and adhere to the provisions of the mandatory carbon budgeting system set out in the Climate Change Bill. In terms of the provisions of the Climate Change Bill, persons who exceed their assigned carbon budget will be penalised at a rate of R640/tCO<sub>2</sub>e, for every tonne, exceeded beyond an assigned carbon budget. The Climate Change Bill is yet to be promulgated which creates a degree of uncertainty. It is, however, recommended that taxpayers opt to adhere to the proposed incoming provisions.

To comply with the Carbon Tax Act and the NGER Regulations, taxpayers/ data providers must ensure that GHG emissions data are reported by 31 March to the Department of Forestry Fisheries and the Environment and carbon tax returns are submitted to the South African Revenue Service by the penultimate working day of July for the preceding year.

## Health Promotion Levy on sugary beverages (sugar tax)

From 1 April 2018, a levy on sugary beverages was introduced to decrease diabetes, obesity and other related diseases and is known as the Health Promotion Levy (HPL) and commonly referred to as sugar tax. The rate is 2.1 cents per gram of sugar content that exceeds 4.0 grams per 100 ml. The first 4.0 grams per 100 ml are exempt from the HPL.

For the purposes of HPL, sugar content means both intrinsic and added sugar and other sweetening matter. This levy is applicable to both identified imported products and locally manufactured products. HPL on imported products is levied when it is cleared for home consumption and HPL on locally manufactured products is payable by the South African manufacturers. HPL is not payable on sugar beverages that are exported or used in the process of manufacture of other dutiable goods.

## 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 1 March 2021:

- if the value of the property is less than ZAR 1.1m – 0%
- if the value of the property exceeds ZAR1.1m, but not more than ZAR1.513m – 3% on the value above ZAR1.1m
- if the value of the property exceeds ZAR1.513m but not more than ZAR2.118m – ZAR12,375 + 6% of the value above ZAR1.512m
- if the value of the property exceeds ZAR2.118m but not more than ZAR2.723m – ZAR48,675 + 8% of the value above ZAR2.118m
- if the value of the property exceeds ZAR2.723m but not more than ZAR12.1m – ZAR97,075 + 11% of the value above ZAR2.723m
- if the value of the property exceeds ZAR12.1m – ZAR1.129m + 13% of the value above ZAR12.1m.

## 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 ZAR1m 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, Capital Gains Tax and Dividends Tax for micro businesses.

### 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 eSwatini pay air passenger departure tax of ZAR100 per passenger, while passengers departing to other international destinations pay ZAR190 per passenger.

# Tanzania



## Contact details

### Dar es Salaam

**Physical address** 369 Toure Drive, Oysterbay

**Postal address** P O Box 45, Dar es Salaam

**Tel** +255 22 219 2200

### Arusha

**Physical address** Ground Floor, Office No. A1, PPF Kaloleni Commercial Complex, Moshi Arusha Road, Arusha

**Postal address** P O Box 3070, Arusha

**Tel** +255 22 219 2200 / +255 27 254 8881

### PwC contact

Joseph Lyimo joseph.lyimo@pwc.com

Miriam Sudi miriam.sudi@pwc.com

Fadhila Tiisekwa fadhila.tiisekwa@pwc.com

Godluck Mushi godluck.a.mushi@pwc.com

**Website** www.pwc.com/tz

## Introduction

The current VAT Act came into effect from 1 July 2015 (Value Added Tax Act 2014, 'VAT Act 2014'), replacing the Value Added Tax Act Cap 148 of 1997, the 'VAT Act 1997', which was operational from 1 July 1998 to 30 June 2015. Mainland Tanzania and Zanzibar have different VAT legislation. In Zanzibar, the VAT Act 1998 came into effect on 1 January 1999 and has not changed but amended from time to time. VAT is administered by the Tanzania Revenue Authority (TRA) in Mainland Tanzania, and in Zanzibar by the Zanzibar Revenue Authority (ZRA).

## Rates and scope

The standard rate of VAT is 18% for Tanzania Mainland and 15% for Tanzania Zanzibar. 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 an economic activity carried on by them.

VAT is also chargeable on the importation of taxable goods and services.

## VAT registration

### Compulsory registration

A person is obliged to register for VAT when making supplies of goods and/or services within 30 days of their taxable turnover becoming equal to, exceeding, or being likely to exceed:

- TZS100 million (approximately USD43,000) in a period of 12 consecutive months, or
- TZS50 million (approximately USD21,500) in a period of six consecutive months.

A person's turnover in respect of imported services shall be considered for registration where that person has a turnover resulting from taxable supplies other than supplies of imported services.

It is mandatory for the following persons to register for VAT:

- professional services providers (regardless of their turnover)
- a government entity or institution which carries on an economic activity other than its statutory activities

VAT legislation also empowers the Commissioner General to register an entity regardless of the registration threshold. This is upon the Commissioner being satisfied that there is a good reason to do so, including protection of Government revenue.

## Voluntary registration

Application for registration may be made in advance of any requirement to do so, but registration is allowed only at the Commissioner's discretion.

## Intending traders

The Commissioner General may register a taxable person as an intending trader upon their fulfilment of the following conditions:

- provide sufficient evidence to satisfy the Commissioner of their intention to commence an economic activity, such as contracts, tenders, building plans, business plans or bank financing
- the person must be making or intending to make supplies that will be taxable supplies if that person is registered
- specification of the period within which the intended economic activity will commence.

An application for registration of an intending trader may be made at any time.

## Group or branch registration

Group registration for companies is not allowed in Tanzania. Registration by a person is regarded as a single registration and covers all economic activities undertaken by that person's branch or divisions. If taxable supplies are made in Zanzibar, a separate 'branch' registration in Zanzibar is required.

## Non-residents

A non-resident who carries on an economic activity in Mainland Tanzania without a fixed place and makes taxable supplies in excess of the VAT registration threshold is required to appoint a VAT representative.

Where it is impractical to appoint a VAT representative due to business circumstances, a non-resident person shall apply to the Commissioner to be registered in accordance with procedures prescribed in the regulations.

Residents supplying electronic services (regardless of registration threshold) can directly register online using a simplified registration framework. This registration should be done in the manner prescribed by the Regulations (The Value Added Tax Registration

Of Non-Resident Electronic Service Suppliers) Regulations, 2022.

## Application for registration

VAT registration is applied for on form ITX245.02.E, which can be obtained from the TRA's website (<https://www.tra.go.tz/index.php/forms/151-domestic-revenue-forms>). An application must be lodged within 30 days of the business becoming liable to make the application. The registration application portal for non-residents supplying electronic services is now operational and requires certain prescribed information for registration.

## Deregistration

If a person ceases to be liable to be registered, either through cessation of trading or because their turnover falls below the registration threshold, they must apply for deregistration within 14 days. 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 a going concern that is being transferred.

Advertised prices must be stated inclusive of VAT. Output tax is calculated on the taxable value of the supply.

## Output tax

### Exempt supplies

The following supplies are exempt from value added tax:

- agricultural implements\*<sup>1</sup>
- agricultural inputs\*
- livestock, basic agricultural products and foods for human consumption\*
- fisheries implements\*
- bee-keeping implements\*
- dairy equipment\*
- medicine or pharmaceutical products, including food supplements or vitamins supplied to the government\*
- articles designed for people with special needs\*
- education materials
- health care
- immovable property
- educational services
- intermediary services (including life insurance, crop agricultural insurance, livestock farming insurance, insurance premiums for aircraft, insurance for workers compensation and financial services provided free of charge)

<sup>1</sup> \* Note: Denotes items restricted to prescribed HS codes.

- non-statutory services by a government entity or institution
  - petroleum products\*
  - supply of water, except bottled or canned water or similarly presented water
  - the transportation of a person by any means of conveyance other than taxi cabs, rental cars or boat charters
  - Importation of arms and ammunition, parts and accessories thereof, equipment and machineries for the official use of the armed forces as certified by the ministry responsible for security and defence.
  - funeral services, as regards the coffin, shroud, transportation, mortuary and disposal services of human remains
  - gaming supplies
  - supply of solar panels, modules, solar charger controllers, solar inverters, vacuum tube solar collectors and solar batteries
  - supply of air charter services up to 30 December, 2022. A Bill Supplement issued on 20 January 2023 proposes to extend the Value Added Tax (VAT) exemption on the supply of air charter services up to 30 June 2026
  - Revenue Stamps (HS Code 4907.00.90)
  - electronic cash register (HS code 8470.50.00)\*
  - supply of precious metals, gemstones and other precious stones by a small-scale miner at buying stations or at the Mineral and Gem Houses designated by the mining Commission under the Mining Act
  - a supply of aircraft lubricants (HS Codes 2710.19.51, 2710.19.52, 3403.19.00 and 3403.99.00) to a local operator of air transportation\*
  - a supply of double refined edible oil from locally grown seeds by a local manufacturer for a period of one year from 1 July, 2022 to 30 June, 2023.
  - a supply of raw materials of HS Code 2836.20.00, 2836.30.00, 2836.50.00 and packaging materials to be solely and directly used by a local manufacturer of double refined edible oil from locally grown seeds for a period of one year from 1 July, 2022 to 30 June, 2023.
  - a supply of sisal ropes of HS Code 5607.21.00 and 5607.29.00
  - a supply of locally manufactured sisal bags of HS Code 6305.90.00
- The following imports are exempt from value added tax:
- an import of baggage or personal effects (exempt from customs duty under the Fifth Schedule of the East African Customs Management Act, 2004)
  - an import of goods given as an unconditional gift to the State, otherwise than for purposes of sale
  - an import of goods (including containers) if the goods have been exported and then returned to Mainland Tanzania by any person without being subjected to any process of manufacture or adaptation and without a permanent change of ownership, but not if at the time when the goods were exported, they were the subject of a supply that was zero-rated under this Act or under repealed Value added tax Act, Cap. 148
  - an import of goods shipped or conveyed to the United Republic of Tanzania for transshipment or conveyance to any other country
  - an import of goods made available free of charge by a foreign government or an international institution with a view to assisting the economic development of the United Republic of Tanzania
  - an import of food, clothing or shoes donated to a non-profit organisation for free distribution to orphanages or schools for children with special needs in Mainland Tanzania
  - an import of goods by a non-profit organisation for the provision of emergency and disaster relief; where such goods are capital goods, the goods shall be handed to the National Disaster Committee upon aversion, completion or diminishing of the disaster
    - an import of goods by a religious organisation for the provision of health, education, water or religious services in circumstances that, if services are supplied —
    - without fee, charge or any other consideration in a form of fees, or
  - on payment of any consideration the fees or charges will not exceed 50% of the fair market value
  - an import of goods that is exempt under an agreement entered into between the Government of the United Republic of Tanzania and another government or an international agency listed under the Diplomatic and Consular Immunities and Privileges Act
  - an import of goods by a registered and licensed explorer or prospector for exclusive use in oil, gas or mineral exploration or prospecting activities to the extent that those goods are eligible for relief from customs duties under the East African Customs Management Act, 2004
  - an import of an aircraft, aircraft engine or parts by a local operator of air transportation
  - an import of a railway locomotive, wagons and tramways, and of their parts and accessories by a registered railways company, corporation
  - an import of fire-fighting vehicles by the government
  - an import of laboratory equipment and reagents by an education institution registered by the Ministry responsible for education, to be used solely for educational purpose

- an import of CNG plants, equipment, natural gas pipes, transportation and distribution pipes, CNG storage cascades, CNG special transportation vehicles, natural gas metering equipment, CNG refuelling or filling, gas receiving units, flare gas systems, condensate tanks and leading facility, system piping and pipe rack, or condensate stabiliser by a natural gas distributor
- firefighting equipment
- an import of machinery of HS Codes 8479.20.00, 8438.60.00, 8421.29.00, 8419.89.00 by a local manufacturer of vegetable oils for exclusive use in manufacturing vegetable oil in Mainland Tanzania
- an import of machinery of HS Code 8444.00.00, 8445.11.00, 8445.12.00, 8445.13.00, 8445.19.00, 8445.20.00, 8445.30.00, 8445.40.00, 8445.90.00, 8446.10.00, 8446.21.00, 8446.29.00, 8446.30.00, 84.47, 8448.11.00, 8448.19.00, 8449.00.00, 8451.40.00 or 8451.50.00 by a local manufacturer of textiles for exclusive use in manufacturing of textiles in Mainland Tanzania
- an import of machinery of Chapter 84 by a local manufacturer of pharmaceutical for exclusive use in manufacturing pharmaceutical products in Mainland Tanzania
- an import of machinery of HS Code 8438.50.00 and 8453.10.00 by a local manufacturer of hides and skins; and a registered abattoir for exclusive use of skinning, de-hiding and leather processing in Mainland Tanzania duly certified by the ministry responsible for livestock or fishery.
- import of an ambulance of HS Code 8703.90.10 by a registered health facility other than a pharmacy, health laboratory or diagnostic centre
- an import of refrigerator containers of H.S Code 8418.69.90 by a person engaged in horticulture for exclusive use in horticulture in Mainland Tanzania
- an import of grain drying equipment of HS Code 8419.31.00 by a person engaged in agriculture for exclusive use in agriculture in Mainland Tanzania
- an import of aircraft lubricants, airline tickets, brochures, leaflets, calendars, diaries, headed papers and airline uniforms engraved or printed or marked with the airline logo imported by a designated airline under a Bilateral Air Services Agreement between the government and a foreign government.
- An import of precious minerals, tin, tungsten, tantalum, mineral concentrates and loaded carbon by any person for processing, smelting, refining or sale in the Mineral and Gem Houses or buying stations designated by the Mining Commission.
- An import of contactless smart cards and consumables of HS Code 3921.11. 90 by the National Identification Authority.
- An import of cold rooms of HS Code 9406.10.20, 9406.20.20, 9406.90.20 and refrigerated truck of HS Codes 8704.21.90; 8704.22.90, 8704.23.90, 8704.31.90, 8704.32.90, 8704.90.90 by a person engaged in livestock, fishery or agriculture duly certified by the ministry responsible.
- An import of artificial grass of HS Code 5703.30.00 and 5703.20.00 for football pitches located in city or municipal council approved by the National Sports Council of Tanzania
- An import of raw materials of HS Code 2528.00.00, 2710.99.00, 3505.20.00 and equipment and machineries of Chapters 84 and 85 to be solely and directly used in manufacturing of fertilisers duly certified by the ministry responsible for industries.
- An import of soil testing equipment of HS Code 9031.80.00, 9027.81.00 and 9027.89.00 as certified by the ministry responsible for agriculture.
- An import of moisture metre of HS Code 9031.80.00, rain gauge for weather stations of HS Code 9015.80.00, PH metres of HS Code 9031.80.00 tissue culture equipment of HS Code 8419.89.00 and tension metres of HS Code 9031.80.00 as certified by the ministry responsible for agriculture.
- An import of meteorological equipment and machinery by the Tanzania Meteorological Authority.
- Importation of raw materials of HS Code 7208.39.00, 3810.90.00, 3401.19.00, 7904.00.00, 4016.93.00, 7229.90.00, 8481.10.00 and 8309.90.90 by a manufacturer of gas cylinders upon signing a performance agreement with the Government of the United Republic of Tanzania.

## Input tax

### Input tax allowed

A taxable person shall be allowed a credit for input tax if:

- goods, services or immovable property on which the input tax was incurred were acquired or imported into Mainland Tanzania by the person in the course of their economic activity and for the purpose of making taxable supplies
- in case of imported services, the person has accounted for output tax on the same VAT return
- costs incurred on supplies to employees, if output VAT was accounted for on a related benefit in kind.

Other conditions include:

- input tax incurred for which a 'fiscal receipt' is held at the time the deduction is claimed
- input tax incurred where the 'fiscal receipt' is dated less than six months before the deduction is claimed.

The deduction of input tax is subject to a de minimis rule, as follows:

- full recovery if a person makes taxable supplies of more than 90%
- partial recovery if a person makes taxable supplies of more than 10% but less than 90%
- no recovery if a person makes less than 10% of taxable supplies.



## Input tax expressly denied

No input tax may be claimed on the following expenses: entertainment; sporting, social or recreational clubs or associations; spare parts; and repair or maintenance costs in respect of passenger vehicles.

An input tax credit in respect of a passenger vehicle shall be allowed where a person's economic activity involves dealing in, hiring out, or providing transport services in passenger vehicles and the vehicle was acquired for that purpose. According to VAT Regulations 2015, a 'passenger vehicle' for which input tax credit will be allowed is a vehicle with a passenger seating capacity of more than 16.

## 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 the amount that is related to its taxable supplies. There are two methods specifically mentioned in the legislation to calculate this amount, i.e. the average method and direct attribution method.

### Average method

The average pro rata method is based on the proportion of taxable supplies over total supplies.

Under this method, the deductible input tax is calculated using 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.

### Direct attribution method

This method is used where a partially exempt trader can directly attribute part of his input tax to taxable supplies and another portion to exempt supplies.

In this case he should be allowed to claim the whole amount of input tax attributable to taxable supplies while the amount of input tax attributable to exempt supplies is not claimable.

The remaining input tax that is attributed to both exempt and taxable supplies will be apportioned by using the average method.

## Adjustments

Adjustments are required in the following circumstances:

- when VAT previously accounted for by a supplier is different from the VAT duly payable on the supply
- change of use
- bad debts
- making and receiving insurance payments
- correction of minor errors
- registration and cancellation of registration.

## Preregistration and post-deregistration VAT

Input tax incurred within the six months prior to registration can be claimed no later than in the third VAT return submitted following registration. A person whose registration is cancelled must, within 30 days after the date of cancellation of their registration, file a final VAT return and pay all taxes due under the Act. This includes claiming any input tax in respect thereof.

## International trade

### Imports

#### Goods

VAT is chargeable on importation of all goods that are not exempt from VAT or do not qualify as capital goods. Capital goods means goods classifiable under Chapter 84,85 and 90 and specified HS codes. The value for VAT is the CIF value plus any customs and/or excise duty. There is a VAT deferment scheme for the importation of capital goods. VAT, if applicable, must be paid before the goods are released by Customs.

#### Services

The reverse charge applies to imported services subject to the de minimis rule (90:10 ratio), as explained below:

- If a recipient of services makes taxable supplies that are less than 10% of total supplies, it has to account for output tax on imported services while not being allowed to claim any input tax.
- If a recipient of services makes taxable supplies of more than 90% of total supplies, it does not have to account for VAT on imported services as all the resultant input tax on applying a reverse charge will be claimable.
- If a recipient of services makes taxable supplies of between 10% and 90%, that person will be required to do reverse charge accounting of imported services and charge output tax in full, and it will only be entitled to claim partial input tax depending on the ratio of taxable supplies to the total supplies (exclusive of imported services).





## 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.

### Services

Generally a supply of services is zero rated where the customer is outside of the United Republic of Tanzania and effectively uses and enjoys the services outside the United Republic. The following should be noted:

- Subject to exceptions for certain types of supply (for example; services related to land / immovable property, essential services, telecommunications, radio and television, and electronic services), services will be zero-rated if performed in Tanzania for a person based outside Tanzania, who effectively uses or enjoys the service outside Tanzania
- Services subject to zero-ratings also include; international transport (as well as transit goods), services supplied to a non-resident warrantor, services directly related to land outside Tanzania, certain services physically performed outside Tanzania, services connected with temporary imports, intellectual property rights for use outside Tanzania, and supplies of telecommunications services by a resident telecommunications service provider to a non-resident telecommunications service provider and supply of electricity from a supplier in Mainland Tanzania to a supplier in Zanzibar, supply of transportation and incidental services to an international pipeline.

## Place, time and value of supplies

### Place of supply

A supply of goods shall be treated as a supply made in Mainland Tanzania if the goods are:

- delivered or made available in Mainland Tanzania
- installed or assembled in Mainland Tanzania by, or under a contract with, the supplier
- dispatched or transported from Mainland Tanzania to a place outside the United Republic of Tanzania
- a supply of immovable property situated in Mainland Tanzania or a supply of services directly related to land situated in Mainland Tanzania.

## Time of supply

The value added tax imposed on a taxable supply shall become payable at the earlier of the time:

- when the invoice for the supply is issued by the supplier
- when the consideration for the supply is received, in whole or in part, or
- the time of supply

The time of supply is defined as:

- for goods — when they are delivered or made available
- for immovable property — the earlier time at which the property is (i) created, transferred, assigned, granted or otherwise supplied to the customer; or (ii) delivered or made available.

For imports of goods, VAT must be paid at the time the customs duty is payable. Where the imported goods are capital goods as defined in the Customs Tariff, VAT deferral is allowed if certain procedures are followed.

## Consideration for supply

If the supply is for a 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 thereof. The open-market value of the goods or services is deemed to be the value that it would fetch in the ordinary course of business, where the supplier and purchaser are not connected.

Consideration of supply shall not include a price discount or rebate allowed and accounted for at the time of supply, i.e. discounts and rebates are allowable reductions to the consideration. Consideration for goods supplied free of charge is the fair market value.

## VAT compliance

### Accounting basis and tax period

VAT returns are electronically filed on the 20th of every month following the accounting month through the TRA website.

Previously, a taxable person was 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). However, the system has now been upgraded such that the supplies made are now automatically populated in the system based on tax invoices issued through the EFD and the taxpayer is only required to check the accuracy of the supplies made and make necessary adjustments.

## Returns and payment of VAT

A VAT return on the prescribed form ITX240.02 B must be lodged with any VAT payment due or claim to repayment, by the 20th of the month following the month in which the relevant transactions were incurred, known as the prescribed accounting period.

Payment can be made by cheque or bank transfer. A direct bank transfer is encouraged. 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, VAT deferment is allowed if certain procedures are followed.

## Interest and penalties

Penalties can be imposed for failure to (i) maintain documents; (ii) file VAT returns; (iii) make false or misleading statements; or (iv) aiding or abetting. Interest can be imposed for failing to pay tax (VAT). Penalties are imposed by the Tax Administration Act 2015 and not the principal VAT legislation.

## Late lodgement of returns

A monthly penalty is applicable on late filing, amounting to the greater of (i) 2.5 % of tax assessable less tax paid; and (ii) five currency points for individuals and 15 currency points for body corporates (1 currency point = TZS15,000 [approximately USD7]).

## Failure to pay tax

Where any amount of tax remains unpaid after the due date, interest at the statutory rate is calculated on the amount for the period of time it has been due/ unpaid.

## 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.

If a business does not wish to make a claim, it can elect to carry forward excess VAT credits for offset against future payments.

Foreign companies that are for-profit organisations are not entitled to refunds.

However, non-profit organisations without a VAT registration in Tanzania can get a refund if they are operating under a bilateral agreement between the Government of Tanzania and another government or

an international agency listed under the Diplomatic and Consular Immunities and Privileges Act. Such agreement must entitle a person to an exemption from tax on the person's purchases or imports.

## 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.

Once the notice of objection has been lodged against the assessment (within the prescribed 30 days from date of assessment), the Commissioner will consider the objection, or request further evidence in order to consider the objection, then either amend the assessment or refuse to do so.

Where the Commissioner agrees to amend the assessment as per the objection, a notice of the final assessment will be issued to the taxpayer.

The taxpayer has 30 days to respond to the Commissioner's proposal in writing, either agreeing or disagreeing with the proposed amended assessment or the proposed refusal.

Following this, the Commissioner will issue a notice of final determination and proceed to prepare the final tax assessment and serve the objector with a notice thereof.

The Commissioner is required to determine an objection within six months from the date of admission of an objection. Where this is not the case, the initial underlying tax assessment or decision will be treated as final/confirmed and in favour of the TRA. However, in such a case, the taxpayer can appeal to the Tax Revenue Appeals Board (TRAB) on the deemed determination within the timelines specified for an appeal.

If the taxpayer is aggrieved by the final determination of the assessment and wishes to dispute the assessment, they 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.

Dispute resolution procedures are not part of the main VAT legislation but occur under the Tax Administration Act (where resolving with the Revenue Authority) and later through the Tax Revenue Appeals Act (when resolving through quasi-judicial and judicial bodies).

## VAT records

### Electronic Fiscal Device (EFD)

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/invoice

A fiscal invoice/receipt generated by EFD must have the following contents:

- the name of the supplier
- the VAT registration number of the supplier
- the taxpayer identification number (TIN) of the supplier
- unique receipt verification code (QR code).

The following only has to be included if the value of the supply exceeds TZS100,000:

- the name of the customer
- the VAT registration number of the customer
- the taxpayer identification number (TIN) of the customer.

The invoice has to be a fiscal document (issued by means of an EFD) so that it is either a receipt from an electronic device or a tax invoice with an electronic signature.

The invoice furthermore has to be serially numbered and show the following information:

- date of issue of the invoice
- description, quantity and other relevant information about the items supplied
- total consideration payable for the supply and the amount of value added tax included in that consideration.

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.

## Adjustment notes

An adjustment note may be issued if a supply is cancelled, the goods are returned to the supplier, or part or all of the supply is altered or varied.

Decreasing adjustment notes must contain all the information required for a fiscal invoice or receipt and must also state the amount of the decreasing adjustment and the reason for it.

## 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

### Alternative Financing Products

Alternative financing products means any financial product approved by the Bank of Tanzania other than conventional financial products. The minister has the power to make regulations prescribing the manner and procedure of dealing with loans, including alternative financing products (these are yet to be issued). Examples of these alternative financing products would include schemes like Islamic Banking, etc.

### Land and buildings

The sale of vacant land is exempt from VAT. The sale of newly constructed residential premises or a subsequent sale if the premises have been occupied as a residence for less than two years is standard rated. If these conditions are not applicable, such a sale is exempt from VAT.

### Leasing

A lease, licence, hire or other form of supply, to the extent that it is a supply of the right to occupy and reside in residential premises, is exempt from VAT.

### Supply of goods between Tanzania Mainland and Tanzania Zanzibar

The following rules apply:

- no VAT is payable on transfer of goods from Zanzibar to Mainland provided that VAT was already paid in Zanzibar at the rate equal to that applicable in Mainland
- additional VAT will be payable if it was paid in Zanzibar at a rate lower than that applicable in Mainland
- the Tanzania Revenue Authority (TRA) to collect VAT charged in Mainland on goods supplied to a recipient who is taxable (VAT registered) in Zanzibar and remit the same to the Zanzibar Revenue Board (ZRB) - the manner for remission of this VAT will be prescribed in Regulations made by the minister for finance.

## Exemptions to strategic investments, government, and non governmental organisations

VAT exemptions to be granted by the minister by order published in the gazette, on goods or services acquired in the implementation of strategic investments or special strategic investments upon approval by the National Investment Steering Committee (NISC) and the Cabinet.

VAT exemptions to be granted by the Commissioner General on the below upon application in the prescribed form and complying with certain procedures:

- importation of raw material used solely in manufacturing of long lasting mosquito net and LPG cylinders and import or local supply for relief of natural calamity or disaster
- importation by or supply to a government entity of goods or services used solely for the implementation of government projects
- importation by or supply to an entity having an agreement with the government of goods or services used solely for the implementation of strategic projects
- importation by or supply to a non governmental organisation having an agreement with the government of goods or services used solely for implementation of its projects

## 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.

## Secondhand goods

VAT is chargeable on the sale of second-hand goods, unless the items are exempt from VAT. 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, ground transport as well as the provision of food and accommodation are taxable at the standard rate of 18%.

## 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.

## Taxation of digital economy

Electronic services (as defined) supplied to customers

in Mainland Tanzania who are not registered for VAT are regarded as supplies made in Mainland Tanzania and therefore locally taxable. Electronic services means any of the following services provided or delivered through a telecommunications network: websites, web-hosting, or remote maintenance of programmes and equipment; software and the updating thereof; images, text, and information; access to databases; self-education packages; music, films, and games, including gaming activities; and political, cultural, artistic, sporting, scientific and other broadcasts and events including broadcast television.

## Interplay between VAT and transfer pricing

Taxable supplies between connected persons should be at arm's length i.e. at fair market value reduced by a tax fraction.

## Impact of the Africa Continental Free Trade Area (AfCFTA)

Tanzania has already signed the AfCFTA agreement. In addition, it submitted its instruments of ratification of the AfCFTA agreement to the African Union Commission (AUC). It plans to start exporting as early as July 2023.

## Other indirect taxes

### Customs duties

Customs duty is charged on imports at rates of 0%, 10%, 25% and 35%, 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 35% applies to selected consumer goods sufficiently available within the East African community. 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 services, money transfers, satellite and cable TV, motor vehicles over 1,000cc in engine size, various cosmetics, handbags, artificial hair, imported pipes, yachts and other vessels for pleasure, imported furniture and firearms.

The scope of excise duty has also been extended to cover bank charges and fees. Also, in 2018 the government introduced electronic tax stamps to be used by manufacturers and importers / distributors of excisable goods. The implementation is being done in phases.

Excise duty on excisable goods and services in Zanzibar is administered by the Excise Duty Act 2017, which came to effect on 4 July 2017.

## Fuel levy

Taxes on fuel include a fuel levy charged on petroleum products at a rate of TZS413 per litre. There is also a petroleum fee of TZS100 per litre and excise duty of TZS 379 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. For Zanzibar, the duty is administered by the Stamp Duty Act 2017.



## Contact details

<b>Physical address</b>	<i>PwC does not have an office in Togo. PwC Côte d'Ivoire, based in Abidjan, offers consultancy services to foreign investors.</i> Imm. ITC, Bât D 3e étage, Angle rue Booker Washington - Blvd Hassan II, Cocody.
<b>Postal address</b>	01 B.P. 3173, Abidjan 01, Côte d'Ivoire
<b>Tel</b>	+225 27 22 55 84 00, F: +225 27 22 55 84 69
<b>PwC contact</b>	
Dominique Taty	d.taty@pwc.com
Fousséni Traore	fousseni.traore@pwc.com
K.Richard Ouattara	richard.ouattara@pwc.com
<b>Website</b>	<a href="https://www.pwc.com/ci/en.html">https://www.pwc.com/ci/en.html</a>

## Introduction

VAT was introduced in Togo by Law number 83-22 of 30 December 1983. It is regulated by the provisions of Articles 172 of the GTC and 60 of the Tax Procedure Book.

## Scope of VAT

VAT is an indirect tax charged on the supply of goods and services rendered or used in Togo, subject to the exemptions list. All economic activities fall within the scope of VAT, including the activities of independent professionals (lawyers, chartered accountants etc.), except for medicals and teaching activities (articles 180 GTC). This is also the case for banking activities for which a specific tax applies.

The tax (the taxable basis) 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 Togo), plus any excise duties.

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

Input tax on some goods and services listed by the tax rules is not recoverable.

A VAT prepayment or withholding tax scheme will be introduced from 1 January to 31 December 2023.

## Rates applicable

To date, the standard VAT rate is 18% (article 195).

## Registration threshold

Individuals or company who independently carry out, on a regular or occasional basis, one or more transactions subject to VAT, when their turnover exceeds XOF60,000,000.

Also, individuals or company exercising a liberal profession as well as the holders of offices are automatically subject to VAT, regardless of the amount of turnover achieved.

The same applies to persons exercising the profession of air and sea transport commission agents, air and sea freight agents, approved port commission agents, ship's agents and maritime expertise professions.

Every taxable person, even if it is occasional, must submit a declaration of existence provided by the tax authorities within 15 days of the start of operations or the opening of their operations or of the opening of the establishment.

They must also submit to the tax department no later than the 15th of each month and, for the previous month, a declaration in accordance with the prescribed model indicating the amounts of their taxable and non-taxable transactions, the gross amount of tax assessed, details of deductions made, the amount of tax due or, as the case may be, the tax credit.

The return must be submitted within the same time limit when the taxable person has not carried out any taxable transactions.

# Tunisia



## Contact details

**Physical address** PwC Rue du Lac d'Annecy, 1053 Les Berges du Lac, Tunis, Tunisia

**Tel** +216 71 160 000

## PwC contact

Mabrouk Maalaoui mabrouk.maalaoui@pwc.com

Borhene Tmar borhene.tmar@pwc.com

**Website** tunisie.pwc.fr

## Introduction

VAT is levied under the Tunisian VAT Code and is due on all transactions taking place in. VAT was introduced in June 1988 to replace the existing tax on production, the consumption tax and the tax on services that had been in force since 1955.

## Rates and scope

The standard rate of VAT is 19%. Lower rates of 7% and 13% apply to specifically designated operations.

Some operations, products or services are out of the scope of VAT in Tunisia and 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 with companies subject to VAT, regardless of their legal form
- 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 VAT regime. 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
- 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 for VAT. In this case, the option may be a partial or a full option.

## 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 get 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 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 for VAT in Tunisia may file a return with the Tunisian tax authorities in order to deduct the input tax on the purchase of goods and services necessary for the realisation of the transaction subject to VAT 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.

“VAT exemptions also apply to sales defined as exports, which means sales of goods and services to entities not located in Tunisia

Borhene Tmar, Manager, Tax and Legal Services,  
PwC Tunisia

## 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 three months before the end of the four-year registration period.

## Output tax

Output tax 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 and products that are subject to government homologation of prices
- 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
- 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 compulsory information such as the amount excluding VAT, the rate and amount of the VAT, the amount including VAT, and the name and address of the client VAT due on transactions of which the amount exceeds TND20,000 and are paid in cash. However, the limit of TND20,000 is reduced to TND10,000 for the fiscal year 2015 and to TND5,000 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 of these 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
- 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

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
- 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 export 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
- 21 days if it arises from 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 their accounts has no reserves affecting the tax basis
- 90 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.

The above rate will be 100% for companies under the Direction of Large Companies (Direction des Grandes Entreprises [DGE]) based on a special report of the statutory audit.

## 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

Any delay in the payment of all or part of the tax starting from April 1st, 2023, entails the application of a late penalty at a rate of 1,25% of the amount of tax per month or fraction of the month of delay, when the tax payable is paid spontaneously and without the prior intervention of the tax audit.

This rate is increased by fixed penalties of:

- 3% of the amount of the tax in case of delay in the payment of the tax inferior or equal to sixty days
- 5% of the amount of the tax in case of delay in the payment of the tax higher than sixty days.

The rate of the late penalty is fixed at 2.25% when the delay in the payment of the tax is recorded following the intervention of the tax control services. This penalty is reduced by 20%, when the tax payable is paid within a maximum period of thirty days from the date of the recognition of debt and provided that the recognition of debt occurs before the completion of the conciliation phase.

This rate is increased by 10 % of the amount of the tax regardless of the delay period or 20% in certain cases (nonpayment of taxes); the rate is reduced to 5% or 10% when the tax payable is paid within a maximum period of thirty days from the date of the recognition of debt and provided that the recognition of debt occurs before the completion of the conciliation phase.

## Tax invoices

A proper tax invoice should include:

- the name, address and tax identification number of the supplier
- the name, address and tax identification number of the client
- the designation of the goods or services
- the transaction date
- the amount excluding VAT, the VAT rate, and the VAT amount.

## Specific VAT rules

### Land and buildings

The sale by a property developer of buildings exclusively destined for housing is subject to VAT at the rate of 13%. The rent of non-equipped houses is VAT exempted.

### 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).

## Secondhand 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
- 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 and products, the sale price of which is fixed by the 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 TND30 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 1.000TND on each issued invoice, unless the customer is expressly exempt.



# Uganda



## Contact details

**Physical address** Communication House 1, Colville Street, Kampala

**Postal address** PO Box 8053, Kampala

**Tel** 256 312 354400

## PwC contact

Richard Marshall richard.marshall@pwc.com

Juliet Najjinda juliet.najjinda@pwc.com

Nicholas Kabonge nicholas.kabonge@pwc.com

**Website** www.pwc.com/ug

## 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.

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 UGX150m in a 12-month period or UGX37.5m in a three-month period.

The standard rate of 18% applies to all supplies that do not qualify for an exemption, except for the zero-rated supplies.

A person who fails to register is liable for a penalty equal to double the amount of tax payable during the period for which no application for registration was filed, or for which registration by the Commissioner-General has not yet taken place.

## 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
- importation of goods or services (other than exempt imports or services) by any person.

## VAT registration

### Compulsory registration

The annual registration threshold for domestic supplies is Uganda Shillings (UGX) 150m (approximately USD40,000).

### Voluntary registration

- Persons carrying on a taxable activity may register voluntarily if their expected turnover is below the annual registration threshold of UGX150m.
- Any person that is a national, regional, local or public authority or body that carries on taxable activities may register voluntarily without regard to the threshold requirement of UGX150m, subject to the fulfilment of certain conditions.
- Specific categories of persons may also apply for voluntary VAT registration, regardless of whether they are currently making taxable supplies. These include a licensee undertaking mining or petroleum operations, a person undertaking the construction of a petroleum refinery or petroleum pipeline, and any person engaged in commercial farming.

## 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 the registration of separate branches or divisions of the same business. All transactions are aggregated and filed as those of one entity.

## Place of supply of services

A supply of services is deemed to have taken place in Uganda if the business of the supplier that supplies the services is in Uganda.

Notwithstanding the above, the 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 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 copyright, patent, trademark or similar right in Uganda
- 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 a non-resident person provides services to non-registered persons in Uganda and they fall 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 tax representative in Uganda within 30 days after being required to apply. If the non-resident does not appoint an agent, the Commissioner may do so on behalf of the non-resident. The agent should ordinarily be resident in Uganda.

The appointed agent is then responsible for all the VAT obligations of the non-resident and is jointly and severally liable for the 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. Following the amendment of the VAT law in July 2011, VAT on imported services is no longer claimable as input VAT under the reverse VAT system. In other words, 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.

## Supply of electronic services

With effect from 1 July 2018, the definition of electronic services was amended to include the following when provided or delivered remotely through:

- websites, web hosting or remote maintenance of programs and equipment
- software and updating of software
- images, text and information
- access to databases
- self-education packages
- music, films and games including games of chance
- political, cultural, artistic, sporting, scientific and other broadcasts and events including television.

Prior to this, the VAT Act restricted electronic services to those provided on or through a telecom network.

The Uganda Revenue Authority (URA) issued a public notice on 20 October 2022 communicating that, effective 1 July 2022, non-resident suppliers of electronic services in Uganda were required to register and account for VAT on electronic services on a quarterly basis using an online platform accessible at <https://www.ura.go.ug/>. The public notice further guided that the quarterly VAT returns should be filed within 15 days from the end of every quarter of the financial year starting 1 July 2022.

To register for VAT on electronic services, a non-resident is required to complete an online form, accessible at <https://www.ura.go.ug/>, with specific information regarding the business, after which a Tax Identification Number (TIN) is issued to the non-resident. The TIN is sent to the email address provided on registration.

## Application for registration

In order to apply for VAT registration, one first has to obtain a tax identification number (TIN). Entities that are registering with the URA for the first time may register for all the different tax types at the same time. The application for VAT registration (both compulsory and voluntary registration) must be made through the company's URA portal account.

Application is made by amending the registration details on the portal which is then submitted to the URA. As part of the registration process, URA officers may conduct 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.

## Deregistration

A taxable person may apply in writing to have their VAT registration cancelled in the following circumstances:

- if the person ceases to make supplies of goods or services for consideration as part of their business activities, 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 UGX150m 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 abode or place of business,
- has not kept proper accounting records relating to any business activity carried on by them,
- 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 cancellation 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 determined 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:

- livestock, unprocessed foodstuffs and unprocessed agricultural products, except wheat grain
- postage stamps
- financial services
- health insurance services, life insurance services, micro insurance services, aircraft insurance and reinsurance services
- unimproved land
- sale, lease or letting of immovable property other than:
  - commercial premises or hotel or holiday accommodation
  - for parking or storing of cars or other vehicles
  - immovable property for sale, lease or letting for a period not exceeding three months.
  - 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 goods – including but not limited to:
  - ambulances
  - contraceptives of all forms
  - maternity kits (mama kits)
  - medical examination gloves
  - medical cotton wool
  - mosquito nets, acaricides, insecticides and mosquito repellent devices
  - diapers

- animal feeds and premixes
- machinery, tools and implements suitable for use only in agriculture
- crop extension services
- deep cycle batteries, composite lanterns, and raw material for the manufacture of deep cycle batteries and composite lanterns
- 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
- lifejackets, lifesaving gear, headgear, and speed governors
- Bibles, Qur'ans and textbooks
- goods and services to contractors and subcontractors of hydro-electric power projects
- services to conduct a feasibility study, design and construction to a developer of an industrial park or free zone whose investment is at least USD50m
- earth moving equipment and machinery, construction materials for development of an industrial park or free zone whose investment is at least USD50m
- imported drugs, medicines and medical sundries
- liquefied gas and denatured fuel ethanol from cassava.
- supply of services to conduct a feasibility study and design; the supply of locally produced materials for the construction of a factory or a warehouse and the supply of locally produced raw materials and inputs or machinery or equipment, to an operator within an industrial park, free zone or any other person carrying on business outside the industrial park or free zone whose minimum investment capital is ten million United States Dollars in the case of a foreigner or three hundred thousand United States Dollars in case of a citizen; or one hundred fifty thousand United States Dollars, for a citizen whose investment is placed upcountry who uses at least 70% of the raw materials that are locally sourced, subject to their availability and at least 70% of the employees are citizens earning an aggregate wage of at least 70% of the total wage bill; and who —
  - i. processes agricultural goods
  - ii. manufactures or assembles medical appliances, medical sundries or pharmaceuticals, building materials, automobile, household appliances
  - iii. manufactures furniture, pulp, paper, printing and publishing of instructional materials
  - iv. establishes or operates vocational or technical institutes
  - v. carries out business in logistics and warehousing, information technology or commercial farming
  - vi. manufactures tyres, footwear, mattresses or toothpaste.
- The supply of services to a manufacturer other than a manufacturer referred to in the paragraph above whose investment capital is at least thirty million United States Dollars for a foreign investor or United States Dollars five million for a local investor, to conduct a feasibility study or to undertake design and construction, or in the case of any other manufacturer, from the date on which the manufacturer makes an additional investment equivalent to thirty million United States Dollars for a foreign investor or five million United States Dollars for a local investor—
  - i. who has the capacity to use at least 70% of the raw materials that are locally sourced, subject to their availability; and
  - ii. who has the capacity to employ at least seventy percent of the employees that are citizens earning an aggregate wage of at least 70% of the total wage bill.
- manufactures chemicals for agricultural and industrial use, textiles, glassware, leather products, industrial machinery and electrical equipment, sanitary pads and diapers.

## 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 and tickets for their transport
- drugs, medicines and medical sundries manufactured in Uganda
- educational materials
- seed, fertiliser, pesticides and hoes
- sanitary towels and tampons, and inputs for their manufacture
- leased aircraft, aircraft engines, spare parts for aircraft, aircraft maintenance equipment and repair services
- handling services provided by the National Medical Stores in respect of medical supplies that have been funded by donors.



## 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 and are supported by fiscalised invoices.

A fiscalised invoice is an invoice that has been issued through the Electronic Fiscal Reporting and Invoicing System (EFRIS). EFRIS is an invoicing system used to manage the issuance of e-receipts and e-invoices of a taxable person. It was introduced on 1 July 2020 and was made compulsory on 1 January 2021.

VAT is not recoverable on taxable supplies made to the taxable person 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) and are not supported by fiscalised invoices.

With effect from 1 November 2022, the VAT return was updated to only allow input VAT claims relating to electronic invoices issued in the respective tax period.

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.

### 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 their employees in premises operated by them, or on their behalf solely for the benefit of their employees
- 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
- imported services, unless the importer of the services is a contractor or licensee (of petroleum and mining operations) or a person providing business process outsourcing services during the tax period, as this category is able to claim the input VAT on 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
- 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 upon approval of the URA Commissioner-General.

### Preregistration and post-registration of VAT

VAT incurred prior to 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 will be liable for output tax on all the goods on which they have received input tax credit. The output tax payable will be based on the fair market value of the goods at the time of cancellation of registration.

### Withholding VAT

With effect from 1 July 2019, VAT withholding provisions were reintroduced after their introduction and subsequent suspension in 2018. The provisions require a designated person to withhold 6% of the taxable value of a VATable supply when making a payment to a VAT registered taxpayer. It is also applicable for payments made to non-registered taxpayers who make a single supply whose taxable value is above the threshold (i.e UGX 150m in a year or UGX 37.5m in a quarter) required for VAT registration. The list of designated withholding VAT agents is available on the URA portal.



There is an exemption for compliant taxpayers that operates in a similar manner to the current WHT exemption list (i.e., based on an annual renewal conditional on good VAT compliance behaviour). This reduces the tax compliance burden and cash flow implications for payees.

## International trade

### Imported goods

VAT on imports is payable on the date on which 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's 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.

### Imported 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. 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 in place of supply of services must declare the VAT on imported services through the e-return, even though 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 (supported by e-invoices), alongside other transactions.

An import of services is exempt if the services would have been exempt, had they been supplied in Uganda or be used in the provision of an exempt supply.

## Exports

The supply of goods that are exported from Uganda is 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; 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 of goods

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.

### 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; or
- in case of a supply of goods under a rental agreement (including letting of goods, hire purchase agreements or finance lease) or of 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.

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
- a tax invoice is issued.

Input tax is claimed in the tax period in which the e-invoice or customs bill of entry and URA receipt are 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
- 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 or 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.

### Returns and payment of VAT

VAT returns must be made monthly and filed within 15 days of the end of the tax period. The return purchases and sales should be made to match the purchases and sales that are within the taxpayer’s EFRIS reports. The 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 UGX20m have to be affected 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 for which 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. Period is a period of one calendar month.

## 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 ten 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 UGX5m: the refund will be offset against the next tax period’s liability
- more than UGX5m: the business can opt to offset the refund as described above or get a cash refund.

Where the URA fails to make a refund that has been applied for 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 does not exceed UGX50,000.

## 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 (TAT) for review of the objection within 30 days of having been served with 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.

There is also the option to apply to the Alternative Dispute Resolution (ADR) team at the URA before going to the TAT. The team allows you to have another URA team examine the objection grounds that were disallowed by the objections team. This application does not freeze or extend the period within which to apply to TAT. As such, the practice has been to make the application for consideration with the ADR while applying to the TAT as well to avoid missing the deadline to apply to the TAT in case the ADR comes to a dissatisfactory conclusion.

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 of 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 a lodged return, 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 overpaid. 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 a fiscalised invoice to the recipient.

There are four ways in which the invoice can be issued:

- through the URA web portal
- through the use of a system-to-system mechanism
- through the use of Electronic Fiscal Devices (EFDs)
- through the use of the client app.

The issuance of fiscalised invoices can only be eased for the issuance of manual invoices where:

1. the system is not available and the offline transactions occur,
2. the taxpayer's system is off,
3. the fiscal device is undergoing maintenance in accordance with the law, or
4. there is any justifiable reason.

In this case, 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 fiscal document 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
- 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.
- a QR code for verification purposes

If the reason for issuing a manual invoice is due to the system not being available, the manual invoice will have to be uploaded no later than 24-hours after the system has been restored. Otherwise, the manual invoice should be uploaded within 24 hours of its issuance.

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 their behalf. This authorisation must be in writing and must be retained by the agent. The authorisation commits the principal to meeting the VAT obligations resulting from the agent's actions.

## Credit notes and debit notes

A taxable person must issue a credit note or debit note in relation to a taxable supply by a taxable person in these circumstances:

- 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
- the goods or services or part thereof have been returned to the supplier
- the taxable person making the supply has provided a fiscalised 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
- 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.

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.

Similar to the tax invoice, a credit note should be issued by requesting one through the EFRIS platform and will only apply once it has been approved by the URA.

## Additional export documentation

An e-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 e-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
- 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
- a copy of a transport document for goods exported by road.

## Record-keeping

Currently, records must be kept for at least five years after the end of the tax period to which the records relate, including in the electronic format. 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.

Records can be kept in another language or in a different currency on application and approval by the Commissioner-General.

## 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
- 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, serviced apartments, or property for parking or storing vehicles are standard rated.

In the case of building or construction services, VAT is payable when an e-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 e-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.

## Petroleum and mining operations

The VAT Amendment Act of 2014 introduced a special regime for petroleum and mining operations. For example, the VAT law allows for voluntary VAT registration regardless of whether the following categories of persons are currently making taxable supplies:

- a licensee undertaking mining or petroleum operations
- a person undertaking the construction of a petroleum refinery or petroleum pipeline
- a person engaged in commercial farming
- a person undertaking midstream operations as defined by the Petroleum (Refining, Conversion, Transmission and Midstream Storage) Act 2013.

There is also a special treatment for VAT on the supply of goods or services from a contractor to a licensee for exclusive use in mining or petroleum operations. The VAT on the supply is deemed to have been paid by the licensee to the contractor; the contractor does not account for the deemed VAT payment as output tax; and the licensee does not claim the deemed VAT payment as input tax. The rationale for the provision is to provide for VAT cash-flow neutrality in transactions between contractors and licensees.

Contractors or licensees are able to claim an input tax credit for the reverse-charge VAT paid on imported services. This restores the position that used to apply up to 2011, although this does not apply to other taxable persons.

In respect of tax refunds, where a licensee's input credit exceeds its output liability for a tax period, the amount must either be refunded or (at the licensee's option) carried forward and offset against a future liability. The Commissioner's ability to unilaterally carry forward overpayments of less than USD5 million no longer applies to a licensee.

## 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 having been 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 giving 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 giving 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
- passenger transport services provided by a registered tour operator — standard-rated
- car rental — standard-rated
- accommodation — standard-rated
- tourism services — standard-rated
- packaged tours — standard-rated

marketing and management fees — standard-rated.

## Transfer of a business

Transfer of a business (or a 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 for two years after the transfer.

## Warranty repairs

The importation of parts under 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) 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.

### Infrastructure levy

An infrastructure levy of 1.5% on selected imports was introduced into East Africa to finance railway infrastructure development. This is chargeable on all goods which have a customs external tariff (CET) that is not zero (0%). The levy is chargeable on the transaction value.

### 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, mineral water, petrol and diesel, cement, sugar, money transfer services, and luxury goods such as cosmetics and perfumes. The excise duty rates range from 0.5% to 200%.

Excise duty is also levied on airtime and talk time. The rates are 12% for airtime on mobile cellular, landlines and public phones.

### Motor vehicle fees

Fees are levied on the registration and transfer of ownership of motor vehicles.

### 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
- insurance policies.

Stamp duty is payable within 45 days of the execution of the instrument (if executed in Uganda) and within 30 days of being received in Uganda (if executed outside Uganda).



# Zambia



## Contact details

Physical address	PricewaterhouseCoopers Place, Stand No. 2374 Thabo Mbeki Road, Lusaka
Postal address	PO Box 30942 Lusaka, Zambia
Tel	+260 211 334 000
<b>PwC contact</b>	
George Chitwa	george.chitwa@pwc.com
Malcolm Jhala	malcolm.jhala@pwc.com
Emmanuel Chulu	emmanuel.e.chulu@pwc.com
<b>Website</b>	www.pwc.com/zm

## Introduction

The Indirect Taxes Division of the Zambia Revenue Authority (ZRA) administers the system of value added tax, which replaced Sales Tax on 1 July 1995.

The Value-Added Tax Act of 1995, as amended, and subsidiary legislation, govern the value-added tax. The subsidiary legislation consists of the Value Added Tax (General) Regulations, the Value Added Tax (Exemption) Order, the Value Added Tax (Zero Rating) Order, and the Value Added Tax (General) Rules

## VAT Rates

Supplies for VAT purposes are classified into three categories, namely:

- exempt supplies
- standard-rated supplies taxable at 16%
- zero-rated supplies taxable at 0%.

Other than the above, there are currently no special VAT rates applicable in Zambia.

## Scope

VAT is charged on the supply of taxable goods and services by VAT registered suppliers in the course or furtherance of business in Zambia. VAT also applies on the importation and export of goods and services.

## VAT accounting options

VAT is generally accounted for on an accrual basis. However, taxable suppliers who are members of the Association of Building and Civil Engineering Contractors can apply to the ZRA to be assessed on a cash accounting basis. Once approval is granted, the taxable supplier will only be required to account for output VAT when payment is received for the supplied goods and services. Similarly, a taxable person will be allowed to claim input tax once the payment is made in respect of goods and services on which the input tax is incurred.

## VAT registration

### Compulsory registration

It is a statutory requirement for suppliers making taxable supplies with a taxable turnover exceeding ZMW 800,000 (approximately USD 38,000) in any 12 consecutive months or ZMW 200,000 (approximately USD 9,700) in any three consecutive months, or whose taxable turnover is expected to exceed either ZMW 800,000 in any 12 consecutive months or ZMW 200,000 in any consecutive three months, to make an application for VAT registration with the ZRA.

A supplier who is required to register for VAT registration and fails to do so within a month after meeting the criteria is liable to a fine not exceeding ten thousand penalty units (a penalty unit is currently ZMW 0.30), which translates to ZMW 3,000 (approximately USD 146) for each tax period the supplier remains unregistered, or imprisonment for a term not exceeding 12 months, or both.

Where a supplier who is eligible for registration fails to register, tax due on supplies made shall be assessed together with any penalties and interest on late payment. The assessment will be from the time the supplier was due to register to the date of assessment.

## Voluntary registration

Suppliers whose taxable turnover does not meet the statutory requirement, but who wish to be registered for VAT, may do so voluntarily. Suppliers registered on a voluntary basis have the same obligations as statutorily registered suppliers.

The period of voluntary registration is restricted to 12 months. As such, any supplier registered voluntarily is required to renew the registration every 12 months and should notify the Commissioner-General of the intention to renew the registration at least 30 days before the expiry of the registration.

## Group registration

Group registration for VAT purposes was abolished effective 1 January 2017. Accordingly, each member of a group of companies that meet VAT registration requirements is required to register separately with the ZRA for VAT purposes.

## Application for registration

Application for VAT registration is made online through the ZRA portal. A taxpayer who faces challenges with online registration may still complete and submit the prescribed manual form. The ZRA will only process a VAT application form if the supplier has applied for, and allocated, a Taxpayer Identification Number (TPIN).

## Deregistration

A taxpayer may opt to deregister for VAT if:

- there is a change in the legal status of the entity
- the business ceases trading permanently
- the business is sold
- the business was registered as an intending business and the intention to make taxable supplies ceases
- the business stops making taxable supplies.

Applications for deregistration should be made in writing to the ZRA. The ZRA normally undertakes a VAT audit before deregistration.

## Output tax

VAT is charged at the standard rate of 16% or 0% depending on the nature of the supply.

## Exemptions and zero-rating

### Exempt supplies

The First Schedule to the VAT Act provides a list of supplies that are exempted from VAT. Generally, VAT exemptions apply on the following:

- Mains water and sewage services
- Health and medical services provided by registered health professionals
- Transportation of persons by air, railway, boat and road on a licenced bus or coach
- Conveyance, sale, or lease of non-commercial property
- Certain insurance and financial services
- Supply to a bank of gold in bullion form
- Funeral services
- Domestic kerosene
- Statutory fees
- Trade union subscriptions
- Unprocessed agricultural foods and products, and certain agriculture supplies.

The above list is not exhaustive. It is generic and should be used for guidance purposes only. In each case, specific advice should be sought from a professional adviser.

### Zero-rated supplies

The Second Schedule to the VAT Act provides a list of supplies that are subject to VAT at zero rate, as follows:

- Export of goods where appropriate evidence of exportation is maintained by the taxable supplier for review as and when the ZRA requests for a review
- Freight transport services from or to Zambia
- Supplies to privileged persons
- Medical supplies
- Energy saving appliances, machinery and equipment
- Certain agricultural equipment and accessories
- Wheat, flour, bread, bread rolls and buns.

The above list is not exhaustive. It is generic and should be used for guidance purposes only. In each case, specific advice should be sought from a professional adviser.





## Input tax

Generally, a taxable person can claim input VAT incurred on purchases and imports of goods and services for the purposes of a business carried on or to be carried on by him. The input tax credit is claimed through the monthly VAT returns.

Input VAT incurred in respect of the following goods and services may not be deducted as input tax:

- entertainment, including business entertainment;
- motor vehicles (principally saloon cars and double cabs), except those acquired for leasing or resale purposes;
- petrol, except where it is purchased for resale;
- 10% of the input tax incurred on diesel for business purposes. However, for mining companies effective 1 January 2021, the claim of input VAT on diesel is limited to 70%;
- telephone and internet services
- all non-business purchases, including expenses incurred for the benefit of employees.

The above list is not exhaustive and should only be used for guidance. In each case, specific advice should be sought from a professional adviser.

There is also a requirement for a taxpayer to account for VAT on imported services through the VAT Reverse Charge (VAT RC) mechanism. Where a taxpayer imports services that have not been subject to VAT in the country of origin, the taxpayer is required to account for VAT on the services at 16%. However, this can be mitigated where a foreign supplier does not appoint a local tax agent to account for output tax on their supplies in Zambia.

### Partial exemption

A taxable person who makes both taxable and exempt supplies can claim input tax to the extent that the expenditure is attributable taxable supplies.

Input tax in this instance can be claimed using any of the following four methods:

1. Calculating input tax claimable for each month by apportioning the total input tax incurred in that month based on the ratio of taxable supplies to total supplies.
2. Calculating input tax claimable for each month by apportioning only the input tax that is attributable to both taxable and exempt supplies based on the ratio of total taxable supplies to total supplies made in that month. The apportioned input tax is then added to the input VAT that is directly attributable to taxable supplies.
3. Determining input tax claimable for each month as per method 1 above but by using aggregate sales figures for the accounting year to date. The input tax claim for the month is then computed by deducting aggregate input claims made to date against the aggregate input tax claimable to date.

4. Determining input tax claimable using a similar basis to method 2 above but by using aggregate accounting year-to-date values.

A taxpayer who only makes VAT exempt supplies will not be able to claim any input VAT suffered on their purchases, while a taxpayer making zero rated supplies is considered a taxable supplier.

### Pre Registration input tax

A business registered for VAT may not claim input tax incurred on goods or services relating to the start-up of the business or to expenditure that is incurred before the effective date of VAT registration.

### Intending traders

An intending trader is a taxable person who is registered for VAT in anticipation of commencing trading activities. The purpose of such registration would be to claim input tax incurred before a person starts making taxable supplies.

Nevertheless, an intending trader can only claim input tax incurred in relation to a business activity approved by the Commissioner at the time of VAT registration.

There is a time limit within which an intending trader must start to make taxable supplies to continue claiming input VAT on goods and/or services purchased as follows:

- electricity generation, farming, mining and tourism (registered and licenced by the Zambia Tourism Agency) — within a period of four years after registration
- exploration — within a period of ten years after registration
- any other intending trader — within a period of two years after registration.

### Time limit to claim input tax

The time limit for claiming input tax is 90 days from the date of the tax invoice or other relevant supporting document, except in circumstances as the Commissioner General may, by rule, specify.



# International trade

## Imports

### Goods

Imported goods that are classified as standard-rated supplies are subject to import VAT at the standard rate of 16% on importation. Importation of certain types of capital goods may qualify for VAT deferment. Although such goods may be classified as standard-rated supplies, the importer will not be required to pay the import VAT where the importer has applied for and qualified for the VAT deferment scheme.

### Services

## Services provided by a foreign supplier

The procurement of services from a foreign supplier by a local taxable person is liable to a VAT RC unless such services have been subject to a similar tax in the country of export or where a foreign supplier has appointed a local tax agent in Zambia.

The recipient of imported services is required to self-account for VAT RC on the value of services procured each month and declare the same in the VAT returns.

The input VAT resulting from accounting for VAT RC is not eligible for an input tax credit.

The adverse impact of the VAT RC can be mitigated by the foreign supplier appointing a local tax agent in Zambia who will account for output VAT on their behalf.

The appointed local tax agent, subject to Commissioner-General's approval, will issue a local tax invoice under their VAT registration and account for output VAT on behalf of the foreign supplier. The Zambian recipient of services may claim input VAT charged on the tax invoice issued by the local tax agent, subject to normal rules.

## Electronic services

Effective 1 January 2020, electronic services performed, undertaken or utilised in Zambia or whose benefit is for a recipient in Zambia, are subject to VAT regardless of whether the service is paid for outside of Zambia.

Where the electronic service provider has a permanent address of the business or a registered office in Zambia, the service provider will be required to register and account for VAT in accordance with normal rules.

In the case that the non-resident service provider does not have a permanent address of the business or a registered office in Zambia, there is a requirement to appoint a person resident in Zambia to act as a tax agent on their behalf.

Notwithstanding the above, the Commissioner-General may appoint a tax agent to account for VAT on electronic services/commerce.

There are no registration thresholds for an electronic service provider.

## Exports

### Goods

The export of goods from Zambia by, or on behalf of, a taxable supplier is subject to VAT at zero rate, subject to meeting certain 'Proof of Export' requirements.

The documentary requirements are as follows:

- Copies of export documents for the goods, bearing a certificate of shipment provided by the authority.
- Copies of import documents for the goods, bearing a certificate of importation into the country of destination provided by the customs authority of that country or copies of transit documents for goods in transit bearing a certificate of transit provided by the customs authority of the country of transit or a copy of the air waybill or road manifest or goods train manifest or bill of lading.
- Tax invoices for the goods exported.
- Documentary evidence, proving that payment for the goods has been made by the customer into the exporter's bank account in Zambia.
- Such other documentary evidence as the authorised officer may reasonably require.

### Services

Only services that are physically rendered outside Zambia are eligible to charge VAT at zero rate.

## Place, time and value of supply

### Place of supply

The place of supply is the location of the goods when supplied to a customer. Goods are regarded to be supplied in Zambia in the following instances:

- where goods are exported from Zambia or if their supply does not involve their removal from or to Zambia
- where the supply involves their installation or assembly at a place in Zambia to which they are removed

On the other hand, goods will be deemed to be supplied outside Zambia if their supply involves their installation or assembly at a place outside Zambia to which they are removed.

Services will be deemed to be supplied in Zambia if the supplier of the services:

- has a place of business in Zambia and no place of business elsewhere
- does not have a place of business in Zambia and elsewhere but their usual place of residence is in Zambia

- if the supplier of the services has a place of business in Zambia and elsewhere but the place of business most directly concerned with the supply of the services in question is the one in Zambia

Services will also be considered to be supplied in Zambia if they are imported into Zambia.

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 consideration is payable for receiving the service or signal.

## Time of supply

The time of supply or tax point is the time when tax is due and payable.

For goods, the time of supply or the tax point for VAT purposes is at the earliest of the time when:

- the goods are removed from the supplier's premises
- the goods are made available to the buyer
- the supplier receives payment
- the supplier issues a tax invoice to the buyer.

The time of supply of services for VAT purposes is the earliest of the time when:

- the supplier receives payment;
- the supplier issues the tax invoice; or
- the supplier renders or performs the services.

VAT should also be accounted for on a part or advance payment made, or interim invoice raised for services or goods not rendered or delivered.

## Value of supply

Where goods are supplied for monetary consideration, the taxable value is the amount by which the consideration exceeds the tax payable in respect of that supply.

In case goods or services are supplied:

- other than for a monetary consideration
- for a consideration that consists only partly of money
- for a consideration that is less than the open-market value of the goods or services, the taxable value shall be the amount by which their open market value exceeds the tax payable on that supply.

The open-market value is defined as 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

VAT returns are submitted monthly. However, upon application to and approval by the ZRA, some businesses may submit VAT returns every quarter.

VAT returns must be lodged electronically with the ZRA within 18 days following the end of the prescribed accounting period (calendar month). This is mandatory for taxable suppliers with ten or more transactions.

However, taxable suppliers with less than ten transactions to be reported in the return have the option to file manual returns. The manual VAT returns should be submitted to the ZRA within five days following the end of the prescribed accounting period.

VAT may be paid in cash, by cheque or by bank transfer. Payments must be in Zambian currency (Zambian kwacha).

## Interest and penalties

Businesses that do not lodge a return or make payment by the filing/payment deadlines set out are liable to penalties and interest as noted below:

- For late submission of a return the penalty is ZMW 300, or 0.5% of the tax payable, whichever is greater, for each day that the return is not submitted.
- For late payment of VAT, the penalty is 0.5% of the tax due for each day the VAT is unpaid.
- Interest is chargeable at the Bank of Zambia discount rate plus 2% for each month or part of a month that a payment is overdue.

## VAT withholding tax agents

The ZRA appointed VAT withholding agents are required to withhold, account for, and pay the VAT charged on invoices from their suppliers directly to the ZRA. The suppliers (whose VAT has been withheld) are still required to charge output VAT on their invoices to the VAT withholding agents and declare it in their VAT returns.

The deadline for VAT withholding agents to account for the VAT withheld is on the 16th of the month following the end of the month in which the invoice is received.

Once the withheld VAT is paid, ZRA will issue a withholding VAT certificate to the supplier. The supplier can access the certificate in the ZRA online portal and use it to support the offsetting of withheld VAT against the output VAT for the period, or claim a refund.

## Carrying forward VAT credits

VAT credits cannot be carried forward to subsequent tax periods. A taxable person needs to apply for a refund of any credit balance in the VAT return.

## Refunds

When accounting for VAT a business can deduct the input VAT incurred on qualifying business expenditure from the output VAT that it is liable to pay on its supplies. Where the input incurred in the accounting period exceeds the output VAT charged in the same period, the taxable supplier will be in a refundable position.

To obtain a refund from the ZRA, a formal request must be made. Before granting any refunds, the ZRA will generally conduct a credibility check (bespoke audit) to verify the authenticity of the refund.

## 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 six years. Only one tax invoice may be issued for any taxable supply.

A customer is, however, entitled to request a duplicate tax invoice in case of loss of the original invoice. The duplicate invoice must be prominently marked 'duplicate'.

A valid tax invoice must include the following details:

- the words 'tax invoice' in a prominent place
- name, address, and taxpayer identification number of the supplier
- name or business name and address of the recipient
- In case of business to business transaction, the taxpayer identification number 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
- the selling price including VAT, or the total charge on the invoice inclusive of VAT, any discount, and the rate of VAT.

The law requires all VAT registered suppliers to issue invoices using Electronic Fiscal Devices (EFDs). Alternatively, the supplier can apply for approval to issue invoices from:

- an approved computer generating invoice system
- a manual pre-printed invoice.

The approvals are subject to the Commissioner's discretion.

In respect of manual invoicing, the ZRA requires that the invoices be issued from a pre-printed sequentially numbered invoice book that should be obtained from an authorised supplier. If the supplier wishes to issue a computer-generated invoice, then the ZRA may request that virtual EFD software be installed on the system. In addition, the accounting package used by the supplier must be audited and approved by the ZRA.

## Invoicing Currency

Where an invoice is issued in a foreign currency, it must indicate the kwacha exchange rate or the kwacha equivalent of the amounts due on the invoice at the date of the transaction. The date of transaction is normally the date on which the tax invoice is raised.

## Penalty for failure to issue a valid tax invoice

Failure to issue a tax invoice in the form and manner prescribed by the Commissioner is an offence and is liable, on conviction, to a penalty as stated below:

- First offence ≤ ZMW30,000
- Second offence ≤ ZMW60,000
- Third offence ≤ ZMW90,000 or imprisonment for a term not exceeding three years, or both.

Additionally, each sale or transaction should be recorded using the EFD, an approved computer system or a pre-printed tax invoice. Non-compliance with this requirement is an offence and will result in penalties as stated below.

- First offence ≤ ZMW30,000
- Second offence ≤ ZMW60,000
- Third offence ≤ ZMW90,000 or imprisonment for a term not exceeding three years, or both.

## Credit notes

Credit notes may be issued where:

- the supply has been cancelled,
- the supply or total purchase price has been varied or altered
- 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 credit note must include the words 'credit note' in a prominent place.

Further, the following details should be included:

- details of the person or business receiving the credit
- quantity and amount credited for each item
- number and date of the original tax invoice

- statement of the reason for issuing a credit note.

The supplier must also maintain a clear audit trail to show that VAT was accounted for on the original supply.

The supplier who issues a credit note may deduct the credit due for VAT previously paid on the original invoice from the total output VAT due as per the monthly VAT return.

A business in receipt of credit notes for goods or services that have been subsequently cancelled or returned should not claim input VAT incurred on such supplies. In the case that the input tax was previously claimed, then the same should be credited and refunded to the ZRA through the monthly VAT return. Output VAT paid on an initial invoice may only be reversed or recovered if a credit note is issued within three months of issuance of the invoice that is being reversed.

## Record-keeping

Unless the ZRA advises otherwise, all tax and relevant accounting records and documents must be kept for a minimum period of six years from the tax period to which the information relates. Furthermore, the documents should be maintained in Zambia and be available for inspection by the ZRA upon request.

Records may be kept in electronic form, but hard original copies must be made available for inspection purposes.

## Other indirect taxes

### Customs duties

The table below summarises import duties applicable on the importation of goods into Zambia.

Type of tax	Tax base	Rate(s)
Import duty	Value for Duty Purposes (VDP) generally comprises the cost of the goods being imported, plus insurance, freight, and incidental costs of importation.	As prescribed in the Customs and Excise Tariff document
Excise duty	VDP plus import duty for ad valorem excise duty. For certain goods, excise duty is imposed as specific amounts per unit.	As prescribed in the Customs and Excise Tariff document
Surtax	VSP (as determined for import duty purposes - see above) for ad valorem surtax. For certain goods, e.g. motor vehicles, surtax is imposed as a specific amount per unit.	As prescribed in the Customs and Excise Tariff document
Value added tax	VDP plus import duties (customs duty, excise duty, surtax and any other impost) payable on importation of goods.	16%, zero rate or exempt



## Export duties

Zambia also charges export duties on certain goods as prescribed in the Customs and Excise Tariff document.

## Excise duties on local sales

In addition to excise duty charged on imported goods, the duty is also levied on specified goods and services that are manufactured or produced in Zambia as prescribed in the Customs and Excise Tariff document. Examples of goods and services that are liable to excise duty include electricity, airtime, petroleum products, alcoholic beverages, soft drinks, tobacco and cement.

# Zimbabwe



## Contact details

Physical address	Building No. 4, Arundel Office Park, Norfolk Road, Mount Pleasant, Harare
Postal address	PO Box 453, Harare, Zimbabwe
Tel	+263 24 33 8362-8

## PwC contact

Clive Mukondiwa	clive.k.mukondiwa@pwc.com
Christopher Muzhingi	christopher.muzhingi@pwc.com
Edmore Mandizha	edmore.mandizha@pwc.com
Norman Muzanarwo	norman.muzanarwo@pwc.com
Website	www.pwc.com/zw

## Introduction

VAT was introduced in Zimbabwe with effect from 1 January 2004 to replace sales tax. The VAT legislation is contained in the Value Added Tax 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 14.5% for period 1 January 2021 to 31 December 2022. With effect from 1 January 2023, the standard rate is 15%.
- 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 of or furtherance of a trade (enterprise)
- goods imported into Zimbabwe in certain circumstances
- services imported into Zimbabwe
- export of raw hides, unprocessed leather. Imposition of VAT on raw hides has been deferred to 31 December 2021 for specified entities listed through a statutory instrument.

- the 14.5 % VAT applicable on exportation of unbeneficiated platinum has been further postponed to 1 January 2022 with the current reduced rates remaining in force. However, VAT relief on exportation by specified exporters of listed quantities of raw hides was granted from 1 January 2020 to 31 December 2022. Export of unlisted quantities or exports of raw hides by unspecified exporters attracts VAT
- tax on exportation of unbeneficiated lithium has been deferred from 1 January 2019 to 1 January 2025 for lithium suppliers in the special economic zones. The rate of tax is 5% of gross fair market price of the exported unbeneficiated lithium
- for export of raw medicinal cannabis, a rate of 10% is imposed on the sale value that is fully processed and packaged and is ready for resale. A rate of 15% applies on the sale value of bulk medicinal cannabis that is still subject to further processing. A rate of 20% applies on sale value export of dried flowers of medicinal cannabis. This is with effect from 1 January 2021.

The definition of financial services was amended to include any services provided by or on behalf of a banking or other institution that is a participant in a payment system registered in terms of the National Payment Systems Act (*Chapter 24:23*).

The supply of radio and television services from outside Zimbabwe to a local address, or the supply of electronic services by an e-commerce operator domiciled outside Zimbabwe to a local resident is a supply that is made in Zimbabwe.

Medical statutory bodies will be exempted from the requirement to charge and remit VAT for the period 2009 to 30 November 2018.

The disregarding of tax adjustment arising from the increase or decrease of taxable use of business assets where the change arises from an amendment in legislation is effective from 1 January 2017.

## 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 and 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 their 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 is USD40,000 with effective from 1 September 2023. The registration threshold was USD60,000 for the prior period.

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
- abnormal circumstances of a temporary nature.

### 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 any decision to register is made on an individual basis.

### 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 person for purposes of registration.

Branch or divisional registration is not permissible.

## Non-residents

Non-residents conducting taxable activities in Zimbabwe are required to register for VAT. Non-residents who supply radio or television broadcasting services to local recipients or electronic commerce operators who supply electronic services to local recipients through e-commerce platforms are deemed to be trading locally for VAT purposes. 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), and the form must be accompanied by 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 of directors and representative persons, proof of residence of these, 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.

The Commissioner may refuse to allow voluntary registration if the applicant:

- has no fixed place of abode or business
- does not keep proper accounting records
- has not opened a banking account.

### Deregistration

A registered operator may be deregistered if:

- the value of their taxable supplies falls below the registration threshold
- they cease to carry on any trade and will not carry on any trade during the next 12 months
- they have applied for registration in anticipation of commencing a trade and have not commenced with that trade
- they have successfully applied for voluntary registration and subsequently fail to comply with the requirements.

Cancellation of registration, with the approval of 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 must 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 good
- 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 purpose
- certain agricultural equipment and machinery
- certain fuel and fuel products (including ethanol fuel)
- certain live animals
- tobacco supplied on the auction floors
- sanitary ware
- fruits and vegetables
- specific protective clothing generally used in farming (e.g. gloves, raincoats, and gumboots)
- mineral water and brown rice
- specification of items of tobacco not sold on the auction floor that were provided for exemption from VAT, but not specified in the VAT regulations as follows:

Commodity code	Description
2401.10.10	Flue-cured of the Virginia type
2401.10.20	Burley
2401.10.30	Dark fried
2401.10.40	Oriental
2401.10.50	Sun cured
2401.10.90	Other

## Zero-rated supplies

Supplies that are zero-rated but in respect of which the supplier may deduct input tax include supplies of the following goods and services:

- goods (including consumables) supplied to repair goods temporarily admitted into Zimbabwe
- goods supplied under a rental agreement if used exclusively outside 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 a foreign-going aircraft
- handling, pilotage, salvage, towage and operation or management of a foreign-going aircraft, where supplied to a non-resident and a 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)
- property for use outside Zimbabwe
- deemed services supplied by a charitable organisation to a public or local authority
- services supplied by a registered operator to their branch situated in an export country
- 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
- goods supplied under a rental agreement if used in or paid for from outside Zimbabwe — this zero-rating only applies to foreign-registered businesses
- a 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 insecticides
- soya beans 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 for 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.

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 purpose of making taxable supplies, the VAT can, as a rule, be deducted as input tax, provided the operator is in possession of the required fiscalised tax invoice, bill of entry or other document that is acceptable to the tax authority. Non fiscalised tax invoices are not accepted for the purpose of claiming input tax credit, with effect from 17 September 2012.

The Commissioner may extend the time for claiming a deduction of an amount of input tax from the current 12 months counted from the tax period in which it was incurred if the registered operator can show good cause for extending the time of claiming.

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, they 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.

### Value-added withholding tax

The Commissioner may appoint any VAT registered operator as an agent for purposes of withholding of VAT when making payments. An agent is required to furnish the registered operators from whom the amount is withheld with a certificate. The VAT withholding tax is one third.

The amount withheld is due for remittance to the tax authority by the 15th of the following month. The amount withheld is deducted from output tax as a credit provided the registered operator retains proof of payment of the withholding tax.

Failure to deduct the withholding VAT makes the agent liable for the withholding VAT due. Additionally, the default attracts a penalty that is equal to 100% of the amount of withholding tax due, a fine of up to ZWL400 or a prison term of up to 12 months or both.

To qualify as input tax, two requirements must 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 while making taxable supplies.
- 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
- Acquisition of passenger motor vehicles
- exportation of raw hides
- rough diamonds, unbeneficiated chrome, unbeneficiated dimensional stones or unbeneficiated platinum.

## Partial exemption

Where goods or services were acquired only partly as 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 bases for apportionment.

## Adjustments

A registered operator can claim additional input tax credit where they previously claimed input tax for a reduced taxable usage or where the taxable application of a capital asset has increased by 10%. This applies to capital goods whose cost is at least ZWL30,000.

## Preregistration 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 not a taxable supply, or is a supply of second-hand goods, which does not qualify as a taxable supply.
- The goods or services were acquired more than six months before the date of incorporation.
- 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 ZWL1,000 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 value of supply is consideration paid or payable. The recipient must declare and pay VAT on the prescribed form (VAT 9) by the 25th of the month following the end of a given tax period.

The definition of 'input tax' includes the amount of VAT paid on imported services. The change will result in the extension of input tax credit to VAT paid by registered operators on imported services. Clients should note that where the VAT on imported services relates to non-taxable supplies, an apportionment will still have to be made.

### 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.

VAT of 2.5 % and 5% of gross fair market value is chargeable on the export of cut and uncut dimensional stones respectively (i.e. marble, or black granite sawn into sheets not exceeding a thickness of five (5) centimetres or uncut stones hewn on location at the quarry with no or minimal trimming, drilling, cutting, or grinding). This is with effect from 1 January 2018.

VAT of the higher of USD0.75 c or 15% of the value of export consignments will be imposed (excluding any quota that may be prescribed by the Minister of Finance and Economic Development by Statutory Instrument).

#### 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 purpose of carrying on a trade in Zimbabwe.

## Refunds to foreigners

No refunds are made 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 in the form of tourist services that include accommodation and food, hunting safaris where tourists use foreign currency to pay operators of tourist facilities, hotels, and camping and safari or hunting facilities.

VAT regulations allow embassies, diplomatic missions, diplomats and certain development agents who pay VAT on purchase of goods and services for development programmes 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 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
- 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 or partly in Zimbabwe.

### Time of supply

The time of supply of goods or services is deemed to take place:

- at the time an invoice is issued by the supplier or the recipient in respect of that supply, or
- at the time any payment of consideration is received by the supplier in respect of that supply, or
- in the case of a supply of a moveable good, at the time of its removal from the place of sale, or
- in the case of a supply of an immovable good, at the time the recipient takes possession of it, or
- in the case of a supply of a service at the time the service is performed, or
- whichever time is earlier

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
- 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
- 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:

- categories A and B — Two-month period, applicable to traders with a turnover below ZWL100,000,000. The threshold is with effect from 1 September 2022.
- category C — One-month period, applicable to traders with a turnover above ZWL110,000,000 or high-risk traders, regardless of turnover. The threshold is with effect from 1 September 2022.
- 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. The threshold for this category is an amount that does not exceed ZWL50,000 with effect from 1 September 2022.

## Returns and payment of VAT

A VAT return in the prescribed form must be submitted to ZIMRA for each tax period. 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 must generally 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
- additional tax (equal to a maximum of 100% of tax liability) in the case of evasion or causing a refund to be made that is more than what it is supposed to be.

The order of liquidation of VAT debts will give priority towards settlement of the principal amount followed by penalty and finally interest.

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 for foreign currency denominated refunds and 25% per annum for local currency denominated refunds for a period of up to 31 December 2022 and has since been increased to the Bank Policy Rate (200% on 1 January 2023) with effect from 1 January 2021.

## Refunds

A registered operator is entitled to a refund of VAT when, in a particular tax period, their input tax exceeds their 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.

## Value Added Tax on imported services

Importers of services are obliged to account for VAT on imported services (excluding services that would either be exempt or zero-rated if supplied locally) at the standard rate of 15% (previously 14.5% for period up to 31 December 2022). The due date for VAT on imported services is the 25<sup>th</sup> of the month following closure of a given tax period. Taxpayers can claim input tax credit on filing tax returns based on the normal rules applicable to input tax credit.

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 on imported services does not apply on zero-rated or exempt services (locally). That is to say, all zero-rated or exempt services will not attract VAT on imported services if they are imported by a resident. Such services include medical services, financial services, educational services etc. In other words, VAT on imported services applies to services which would ordinarily be subject to VAT at standard rate (15%) had they been supplied by a supplier dealing in taxable supplies locally.

An exception is with regard to radio and television broadcasting services and electronic services supplied by non-residents via e-commerce platforms, as these are deemed to be supplied in Zimbabwe. The non-resident suppliers are required to register and account for local VAT.

# 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 ZWL5,000, 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 the recipient
- individual serialised number and date of issue
- description of goods or services
- quantity or volume of goods or services supplied
- 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.

Since 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 in which 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 their 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
- consideration for the supply.

The recipient must verify the person's ID number or passport number. Where the amount of the supply is ZWL10 (still to be aligned to a ZWL amount) 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 their right of repossession is required to keep details as mentioned above.

## Fiscalised recording of taxable transaction

Every registered operator is required, for the purposes of recording their 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:

- It must have 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 value of sales of the goods or services in question
  - the amount of tax payable
  - the total amount payable inclusive of the tax.
- It must be capable of retaining, for a period of not less than three years, a 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.
- 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.
- 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.

The fiscalisation requirements were extended to categories A, B and C.

Licensed vendors to provide back-up services to registered operators with devices that were supplied by operators who have ceased operations.

## Credit notes and debit notes

The details are almost the same as the details for a tax invoice. In addition, the amount of the adjustment (consideration and VAT) must also be reflected; it must refer to the original tax invoice that is affected by the adjustment (i.e. the invoice date and number); and it must give reasons for the issuing of the credit or debit note. Credit notes issued and debit notes received must be reflected as input tax on VAT returns, while debit notes issued, and credit notes received must be reflected as output tax on VAT returns.

## Additional export documentation

This 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), they must be kept for a period of six years from the date of the last entry in the book. Where they are 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, where the operator could 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 is 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.
- 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 a commodity code under customs tariffs. Rates vary from duty-free to more than 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 excise tariffs, e.g. beer, spirits, wine, cigarettes, and tobacco products.

### Special excise duty on change of ownership of second-hand vehicles

A 5% special excise duty was payable by the buyer based on the value of the relevant vehicle, stated in the table below upon change of ownership of locally registered vehicles with effect from 1 August 2022.

The basis for charging the special excise duty was changed with effect from 1 January 2021 to a system that is based on a combination of the age of a vehicle, engine capacity and fixed amount.

A few exceptions exist where vehicle ownership is changed under the following circumstances:

- transfers that arise from inheritance
- transfers to private vehicle ownership transfers that form part of an approved scheme of reconstruction or a similar arrangement
- transfers between spouses or parents and their children
- voluntary organisations (for the benefit of social welfare activities).

A 5% special excise duty also applies to bulk airtime when supplied to retailers by cellular telecommunication service and internet service providers.

Airtime is taxed at source and therefore subsequent retailers are not liable to the excise duty.

## Special Excise Rate

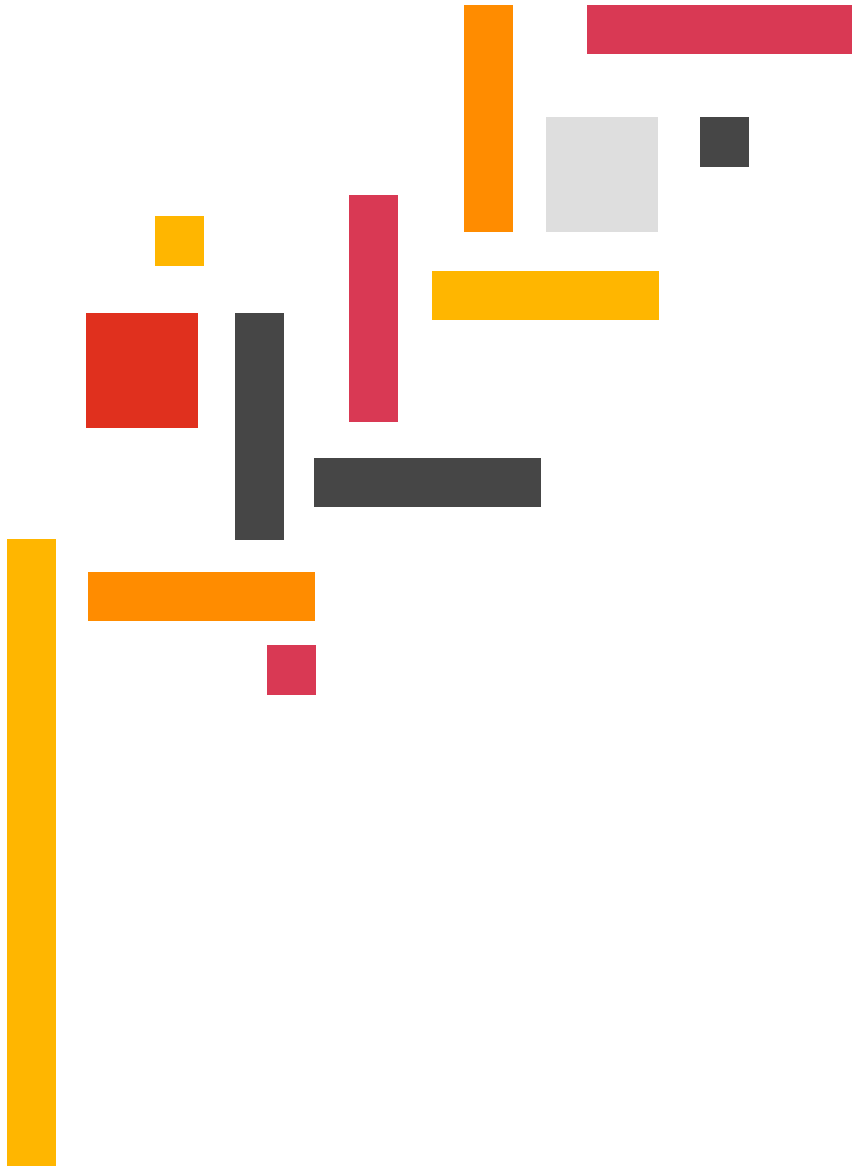
Number of Years from Date of Manufacture	Engine Capacity	Excise Duty Rate
0 – 4	Up to 1000 cc	150,000
	1001–1500 cc	200,000
	1501 – 2000 cc	250,000
	2001 – 2500 cc	300,000
	2501 – 3000 cc	300,000
	3001 – 3500 cc	300,000
	Above 3501 cc	300,000
5 – 10	Up to 1000 cc	75,000
	1001–1500 cc	100,000
	1501 – 2000 cc	125,000
	2001 – 2500 cc	150,000
	2501 – 3000 cc	200,000
	3001 – 3500 cc	200,000
	Above 3501 cc	200,000
11 – 15	Up to 1000 cc	37,500
	1001–1500 cc	50,000
	1501 – 2000 cc	75,000
	2001 – 2500 cc	100,000
	2501 – 3000 cc	100,000
	3001 – 3500 cc	100,000
	Above 3501 cc	100,000
16 – 20	Up to 1000 cc	25,000
	1001–1500 cc	37,500
	1501 – 2000 cc	50,000
	2001 – 2500 cc	75,000
	2501 – 3000 cc	75,000
	3001 – 3500 cc	75,000
	Above 3501 cc	75,000
Over 20 years	All engine capacity	25,000

## Stamp duty

Transfer duty on mortgage bonds is calculated at 4% of the market value of fixed property for every USD100,00 or part thereof or at 0.25% of the value of quoted or listed shares. Unquoted shares do not attract any transfer duty. Unquoted shares do not attract any transfer duty.







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