

VAT TERMINOLOGIES

Presented to
VAT Implementation Team
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VAT Terminologies and Concepts

- These are words, terms and concepts with special meaning for VAT administration.
- Tax Officers and the business community must become familiar with those words, terms and concepts; and understand their meaning to be better able to administer VAT and explain how VAT works to stakeholders



OBJECTIVE OF PRESENTATION

To familiarize officers with key terms and
examine their meaning in the context of
VAT Administration

VAT Terminology

- Self-assessment
- Supply
 - Goods & Services
 - Taxable Supplies
 - Standard Rate
 - Reduced Rate
 - Zero Rate
 - Exempt Supply
 - Mixed Supply
- Taxable Activity
- Threshold
 - Mandatory/Voluntary
 - Registrant
 - Non-Registrant
- Exempt Person
- TIN
- Taxable Person
- Excess Credit/Refund
- Tax Period
- Output VAT
- Input VAT
- VAT Return
- VAT Inclusive Pricing
- VAT Invoice
- Sales Receipt

Principles of VAT

A broad-based, multi-stage transaction tax on value added

- broad-based ⇒ charged on a wide range of goods & services
- multi-stage ⇒ charged at every level of the economic chain
- transaction tax ⇒ charged on each transaction
- value added ⇒ \approx salary & wages plus profits.....

A consumption tax

- consumption ⇒ passed on to consumers in price of each consumer transaction; consumers cannot claim it back

Explanation of Terms

- **Self- Assessment** – taxpayers complying with their VAT obligations without the intervention of the tax officer – e.g. whether the business should apply for registration, deregistration, report a change in circumstances, or report VAT liability.
- **Supply** - Types of transactions to which VAT may be applied.
 - A supply must be either a **supply of goods** or a **supply of service** – not both at the same time

Supplies cont'd

- **Supply of Goods (S. 29)**
 - **Real property** - interests in land, buildings etc
 - **Tangible property** - capital equipment
 - Supply of service incidental to a supply of a good

- **Supply of Services (S. 30)**
 - Anything that is not considered a supply of goods or money is a supply of service
 - Legal, medical, educational
 - Supply of good incidental to a supply of service;

The term “goods” does not include money - (measure of value)

Supplies cont'd

- **Forms of supply:** Sales, leases, licences, barter, making available any facility or advantage
- **Taxable Supplies**
 - A supply of goods or services given in the course of the furtherance of a taxable activity that attracts a positive or zero rate.
 - **Standard Rate** - Supplies that are taxable at a positive rate
 - **Zero-rated supplies** - Supplies that are taxable at a rate of 0%
- *Registered persons can claim **input tax deductions** in respect of acquisitions used in making these supplies*

Supplies cont'd

- **Non-Taxable Supplies**

- **Exempt supplies** - Supplies on which no VAT is charged (no VAT rate)

Persons who supply exempt (supplies) goods & services are **not entitled to input tax deductions** in respect of these supplies

- **Mixed Supplies** - Where both taxable and exempt/ non-taxable supplies are made

A registered person who makes mixed supplies can claim input tax deduction only as a proportion of the taxable supplies made

Taxable Activity

- Any activity or business conducted regularly and continuously whether or not for profit - includes a supply of public entertainment.
 - NB. Does not include employment, private recreational pursuits or hobby
- **VAT Registration Threshold** – annual value of taxable supplies (Zero & Standard) that qualifies a business to be registered for VAT
 - Mandatory or Voluntary
- **VAT Registrant** - A person who is registered for VAT - only persons authorized to charge VAT on supplies of goods and services
 - Only registered persons can claim input tax deductions for VAT paid on imports and domestic acquisitions
 - **Tax Identification Number (TIN)**

Taxable Person

- A person who is registered for VAT (registered person) or a person who is required to be registered
- **Non-Registrant** – Person making taxable supplies but is under the VAT Registration Threshold and is not a voluntary registrant or a Person making only exempt supplies
- **Exempt Person** – Persons who are not required to pay VAT whether by law or other form of agreement – e.g. Diplomatic Missions, Charitable Organizations



Output tax:

VAT charged by registered persons on taxable supplies of goods or services

Input tax:

VAT paid by registered persons on imports or included in the price of local purchases of goods or services

Input tax credits/deductions:

Deductions of input tax against output tax

- **VAT Payable:** Output > Input = (-)
- **Excess Credit:** Input > Output = (+)
- **Refund** – Amount remaining after excess credit has been carried forward for a specified period of time and in excess of a specific amount (e.g. 3 consecutive tax periods and more than \$500.00)

Tax Period

- Reporting period for registered persons
- Monthly or three calendar months (quarterly)
- **VAT Return** - document used to submit VAT liability & payment or Excess Credit

- **VAT Inclusive Price** – selling price of good/service with VAT included
- **VAT invoice** – documentary evidence of supply (sales) of taxable goods/service between two registered persons
- **Sales receipt** - documentary evidence of supply (sales) of taxable goods/service from a Registered Person to a Non-registered person, exempt person or consumer
 - Both documents should show the VAT paid on taxable supplies, name, address and TIN of the supplier, description of supply, value and VAT charged

Conclusion:

- These terms may have slightly different meaning in the normal English language, however, their meaning will have to be interpreted in the context of VAT
- It is important that you understand the “VAT language/jargon”, however most important is that the jargon be broken down in simple layman terms when presenting to businesses and consumers.



**THANK YOU FOR YOUR
ATTENTION!!!**

QUESTIONS?