# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>PART</th>
<th>Page Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>PART ONE</td>
<td></td>
</tr>
<tr>
<td>1.0</td>
<td>5</td>
</tr>
<tr>
<td>Introduction to VAT</td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>6</td>
</tr>
<tr>
<td>Further information and advice</td>
<td></td>
</tr>
<tr>
<td>PART TWO</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>7</td>
</tr>
<tr>
<td>Definition of VAT</td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>7</td>
</tr>
<tr>
<td>How VAT works</td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>7</td>
</tr>
<tr>
<td>The mechanics of VAT</td>
<td></td>
</tr>
<tr>
<td>2.4</td>
<td>9</td>
</tr>
<tr>
<td>Difference between zero rated and exempt supplies</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>8</td>
</tr>
<tr>
<td>The Rates of VAT</td>
<td></td>
</tr>
<tr>
<td>2.6</td>
<td>11</td>
</tr>
<tr>
<td>Advantages of VAT over Sales Tax</td>
<td></td>
</tr>
<tr>
<td>2.7</td>
<td>11</td>
</tr>
<tr>
<td>How value is added and the VAT collected</td>
<td></td>
</tr>
<tr>
<td>2.8</td>
<td>11</td>
</tr>
<tr>
<td>Supplies for VAT purposes</td>
<td></td>
</tr>
<tr>
<td>2.8.1</td>
<td>11</td>
</tr>
<tr>
<td>Taxable supplies</td>
<td></td>
</tr>
<tr>
<td>2.8.2</td>
<td>11</td>
</tr>
<tr>
<td>Taxable persons</td>
<td></td>
</tr>
<tr>
<td>2.9</td>
<td>11</td>
</tr>
<tr>
<td>Importation of goods</td>
<td></td>
</tr>
<tr>
<td>2.10</td>
<td>12</td>
</tr>
<tr>
<td>Importation of services (reverse charge)</td>
<td></td>
</tr>
<tr>
<td>2.11</td>
<td>12</td>
</tr>
<tr>
<td>Export of goods</td>
<td></td>
</tr>
<tr>
<td>2.12</td>
<td>12</td>
</tr>
<tr>
<td>Place of supply</td>
<td></td>
</tr>
<tr>
<td>2.12.2</td>
<td>13</td>
</tr>
<tr>
<td>Place of supply of services</td>
<td></td>
</tr>
<tr>
<td>2.13</td>
<td>13</td>
</tr>
<tr>
<td>Time of supply</td>
<td></td>
</tr>
<tr>
<td>2.14</td>
<td>14</td>
</tr>
<tr>
<td>Taxable value</td>
<td></td>
</tr>
<tr>
<td>PART THREE</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>VAT Registration</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>15</td>
</tr>
<tr>
<td>Compulsory and Voluntary Registration</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>15</td>
</tr>
<tr>
<td>Requirements for VAT Registration</td>
<td></td>
</tr>
<tr>
<td>3.3</td>
<td>15</td>
</tr>
<tr>
<td>Effective date of Registration</td>
<td></td>
</tr>
<tr>
<td>3.3.1</td>
<td>16</td>
</tr>
<tr>
<td>Late Registration</td>
<td></td>
</tr>
<tr>
<td>3.4</td>
<td>16</td>
</tr>
<tr>
<td>The legal entity to be registered</td>
<td></td>
</tr>
<tr>
<td>3.5</td>
<td>16</td>
</tr>
<tr>
<td>Businesses with branches</td>
<td></td>
</tr>
<tr>
<td>3.6</td>
<td>17</td>
</tr>
<tr>
<td>VAT relating to government agencies</td>
<td></td>
</tr>
<tr>
<td>3.7</td>
<td>17</td>
</tr>
<tr>
<td>The obligation of a VAT registered supplier</td>
<td></td>
</tr>
<tr>
<td>3.8</td>
<td>17</td>
</tr>
<tr>
<td>Duty to notify SRA of any changes in the business</td>
<td></td>
</tr>
<tr>
<td>3.9</td>
<td>17</td>
</tr>
<tr>
<td>Conditions for deregistration</td>
<td></td>
</tr>
<tr>
<td>3.10</td>
<td>18</td>
</tr>
<tr>
<td>Application for deregistration</td>
<td></td>
</tr>
<tr>
<td>3.10.1</td>
<td>18</td>
</tr>
<tr>
<td>Instances when cancellation of VAT will take place</td>
<td></td>
</tr>
<tr>
<td>3.10.2</td>
<td>18</td>
</tr>
<tr>
<td>Payment of VAT on stock and assets on hand at deregistration</td>
<td></td>
</tr>
<tr>
<td>3.10.3</td>
<td>18</td>
</tr>
<tr>
<td>Effective date of cancellation</td>
<td></td>
</tr>
<tr>
<td>3.10.4</td>
<td>19</td>
</tr>
<tr>
<td>Changes not requiring cancellation</td>
<td></td>
</tr>
<tr>
<td>PART FOUR</td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>20</td>
</tr>
<tr>
<td>Input tax- claiming back tax paid on business expenses and purchases</td>
<td></td>
</tr>
<tr>
<td>4.1.1</td>
<td>20</td>
</tr>
<tr>
<td>Claiming input tax</td>
<td></td>
</tr>
<tr>
<td>4.1.2</td>
<td>20</td>
</tr>
<tr>
<td>When is claimed input VAT reversed</td>
<td></td>
</tr>
<tr>
<td>4.1.3</td>
<td>20</td>
</tr>
<tr>
<td>Instance when input VAT is disallowed</td>
<td></td>
</tr>
<tr>
<td>PART FIVE</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>5.1</td>
<td>Output tax</td>
</tr>
<tr>
<td>5.1.1</td>
<td>Output VAT by retailers</td>
</tr>
<tr>
<td>5.1.2</td>
<td>Output VAT by non-retailers</td>
</tr>
<tr>
<td>5.2</td>
<td>Retailers with mixed supplies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PART SIX</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1</td>
<td>VAT Accounting</td>
</tr>
<tr>
<td>6.2</td>
<td>Accounting basis</td>
</tr>
<tr>
<td>6.3</td>
<td>The invoice basis</td>
</tr>
<tr>
<td>6.4</td>
<td>Payment or cash basis method</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PART SEVEN</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>Tax invoices</td>
</tr>
<tr>
<td>7.2</td>
<td>The tax invoice</td>
</tr>
<tr>
<td>7.3</td>
<td>Simplified /Abridged tax invoice</td>
</tr>
<tr>
<td>7.4</td>
<td>Issue of tax invoices</td>
</tr>
<tr>
<td>7.5</td>
<td>Customers requesting tax invoices from retailers</td>
</tr>
<tr>
<td>7.6</td>
<td>Credit note</td>
</tr>
<tr>
<td>7.7</td>
<td>Debit note</td>
</tr>
<tr>
<td>7.8</td>
<td>Details to be reflected in debit/credit note</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PART EIGHT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1</td>
<td>Records and Accounting systems</td>
</tr>
<tr>
<td>8.2</td>
<td>Records which must be kept</td>
</tr>
<tr>
<td>8.3</td>
<td>Retail businesses must keep the following records</td>
</tr>
<tr>
<td>8.4</td>
<td>Retention of records</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PART NINE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>9.1</td>
<td>Making VAT returns and payments</td>
</tr>
<tr>
<td>9.2</td>
<td>False returns, documents, information, statements and fraudulent evasion</td>
</tr>
<tr>
<td>9.3</td>
<td>Repayments of VAT</td>
</tr>
<tr>
<td>9.4</td>
<td>The VAT Return</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PART TEN</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Adjustments</td>
</tr>
<tr>
<td>10.1</td>
<td>Introduction</td>
</tr>
<tr>
<td>10.2</td>
<td>Adjustments in respect of debit and credit notes</td>
</tr>
<tr>
<td>10.3</td>
<td>Adjustments for change in use</td>
</tr>
<tr>
<td>10.4</td>
<td>Capital goods</td>
</tr>
<tr>
<td>10.5</td>
<td>Periods of adjustments</td>
</tr>
<tr>
<td>10.6</td>
<td>How to calculate the adjustments</td>
</tr>
<tr>
<td>10.7</td>
<td>Subsequent transfer to non-taxable use</td>
</tr>
<tr>
<td>10.8</td>
<td>Reduction in taxable use</td>
</tr>
<tr>
<td>10.9</td>
<td>Increase in taxable application</td>
</tr>
<tr>
<td>10.10</td>
<td>Transfer of adjustment obligation-going concern principle</td>
</tr>
<tr>
<td>10.11</td>
<td>Accepting the obligation to adjust</td>
</tr>
<tr>
<td>10.12</td>
<td>Compensatory deduction</td>
</tr>
<tr>
<td>PART ELEVEN</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>11.1</td>
<td>Supplies made by or through agents</td>
</tr>
<tr>
<td>11.1.1</td>
<td>Accounting for VAT on agency services</td>
</tr>
<tr>
<td>11.2</td>
<td>Agents recording transactions in their own name</td>
</tr>
<tr>
<td>11.3</td>
<td>Invoicing for supplies made through a selling agents</td>
</tr>
<tr>
<td>11.4</td>
<td>Invoicing for supplies made through a buying agents</td>
</tr>
<tr>
<td>11.5</td>
<td>Auctioneers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PART TWELVE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>12.1</td>
<td>Bad debt relief</td>
</tr>
<tr>
<td>12.2</td>
<td>Rules for claiming refund of VAT on bad debts</td>
</tr>
<tr>
<td>12.3</td>
<td>How to claim a refund of VAT on bad debts</td>
</tr>
<tr>
<td>12.4</td>
<td>Records to be kept for bad debt relief</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PART THIRTEEN</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Transitional period</td>
</tr>
<tr>
<td>13.1</td>
<td>Claiming of Sales Tax paid prior to the introduction of VAT</td>
</tr>
<tr>
<td>13.2</td>
<td>Business contracts spanning over the Sales Tax and VAT period</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PART FOURTEEN</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>14.1</td>
<td>Appeals and requests for review</td>
</tr>
<tr>
<td>14.2</td>
<td>SRA internal review prior to appeal to the tax tribunal</td>
</tr>
<tr>
<td>14.2.1</td>
<td>Appeal matters</td>
</tr>
<tr>
<td>14.2.2</td>
<td>Appeal conditions</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ANNEXURES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Annexure 1 – VAT Return Form</td>
<td>41</td>
</tr>
</tbody>
</table>
PART ONE

1.0 Introduction to VAT

Every country in the world needs money to provide health, education, social services, roads, and a wide range of other facilities for all its citizens. To provide these facilities or services, the Government of the day budgets for the expenditure of public money.

In the Kingdom of Eswatini, a major part of Government revenue is collected by way of direct and indirect taxes on income and consumption. Income Tax is a DIRECT TAX payable by individuals and businesses based on their income or profits. However, everybody who benefits from services provided by the Government is also expected to contribute through a broader, neutral tax that is fair to all. Most countries in the world, therefore, impose some form of INDIRECT TAX, usually based on the amount of goods or services consumed by the taxpayer.

Before April 1, 2012 The Kingdom of Eswatini had a Sales Tax which is an Indirect Tax that contributed to the Government revenue. However, Sales Tax had a number of disadvantages, such as a large number of exemptions which are damaging to the economy of the country; and double taxation, for example, tax cascading from the manufacturer who is charged Sales Tax at the first sale of the manufactured goods to the end consumer who also pays Sales Tax on buying the same finished product. The Minister of Finance therefore, announced that Sales Tax in The Kingdom of Eswatini would be replaced by a Value Added Tax (VAT) from 1 April 2012. VAT is increasingly being used throughout the world, including many African countries, to raise an important portion of Government revenue.

The advantages of VAT can be summarized as follows:

- VAT is internationally proven in both developed and developing economies as a secure source of revenue.
- As a result of increased tax compliance brought about by the 'self-policing' nature of VAT, there is less distortion of trade between those who comply with the indirect tax laws and those who do not. This is re-enforced by strong penalties and effective control policies.
- VAT gives the potential for a stronger home manufacturing industry and more competitive export prices.
- VAT offers a possibility for businesses to claim input tax credit on taxable business inputs and therefore more businesses want to register for VAT, thus increasing the tax base through improved compliance.
- The input tax credit mechanism gives registered businesses back much of the VAT they pay on purchases and expenses used for making taxable supplies and, as a result, largely avoid the ‘tax on tax’ characteristic of Sales Tax.
- A wider VAT base results in less distortion of trade and a greater sharing, across all sectors of the business community, of the costs of collecting indirect taxes and remitting them to the Government.

VAT is one of the many taxes administered by Eswatini Revenue Authority (SRA). The purpose of this guide is to explain VAT to the business community and the public who are the end consumer. It reflects SRA's interpretation of the law but it is important to note that it does not replace or amend the VAT Act.

The primary law relating to VAT is contained in the Value Added VAT Act No 12, 2011. The subsidiary legislation comprises VAT Regulations developed by the Minister of Finance.

1.1 Further information and advice

If you need further information about VAT, please write to or call the SRA Contact Centre

Phone: +268-24064050 Fax: +268-24064001

E-mail: info@sra.org.sz

Alternatively visit our website on www.sra.org.sz
PART TWO

2.1 Definition of VAT

*Value Added Tax (VAT)* is a tax that is levied on the consumption of goods and services in Eswatini, and is also levied on the importation of goods and services into Eswatini. It has been implemented to replace Sales Tax. Like Sales Tax, it is an indirect tax. The difference with Sales Tax is that VAT is paid by the end consumer of the goods and/or services in a transparent manner as it is passed down the distribution chain. Thus:

‘VAT (Value Added Tax) is a tax that is levied on the consumption of taxable supplies that have been provided by a taxable person at a specific place of supply. Such taxable supplies could either be imports or manufactured locally.’

The following paragraphs explain taxable supplies, place of supply, VAT on imports, taxable persons, the remitting of VAT to the SRA and the difference between VAT and Sales Tax, etc.

2.2 How VAT works

Businesses are required to register as VAT taxpayers and this qualifies them to collect VAT and pay it over to the SRA. Upon registration the business will be issued with a VAT registration certificate and the business becomes a VAT Registered Taxpayer. Only VAT registered businesses are allowed to charge VAT when making taxable supplies in the country. *(Note that VAT is charged on taxable supplies; there are other supplies on which VAT will not be charged).*

A VAT registered taxpayer is allowed to deduct tax incurred on inputs from tax collected on supplies. Businesses therefore only remit tax on the value they add to the goods or services they supply, hence the name Value Added Tax. This also means that VAT is not a cost to the business, but is paid by the final consumer of the goods and services. Therefore;

\[
\text{Output tax} - \text{Input tax} = \text{VAT Liability/Refund}
\]

*Note:* Where total output tax exceeds total input tax, VAT is payable to SRA. Where total input tax exceeds total output tax, a refund is due to the taxpayer.

2.3 The mechanics of VAT

The essential elements of a VAT system include the following:

- For VAT purposes the supply of goods or services are called supplies.
- When a taxpayer supplies goods or services, VAT is charged and collected by the registered business. These supplies are called *outputs and the VAT on them is called output tax*.
- When a taxpayer purchases goods or services, the VAT charged on these supplies (*inputs*) is called *input tax*.
- At the end of each VAT period, (which for large taxpayers is monthly and for small and medium sized entities is quarterly) the VAT due is arrived at by deducting the total input tax on supplies received, from the total output tax on supplies made.
- Where the output tax exceeds the input tax for the period, the difference must be paid to the SRA.
- If the input tax exceeds the output tax a VAT refund is due. VAT refunds will normally be made within thirty (30) days from the date the return is submitted or the claim is made. However, if a business is in a refund position, it may choose to carry the refund forward and set it off against future VAT payments.
**Example**

This example shows how VAT works through the chain from a producer to a retailer and illustrates that although VAT is collected in stages by VAT registered businesses, it is a tax on consumer expenditure.

*(The VAT rate is 15%)*.

**A registered baker sells cakes to a supermarket**

He uses his own labour and purchases his supplies from an unregistered supplier and so pays no VAT. He sells the cakes for E2 500 and charges 15% VAT (E375). The VAT position of the business is as follows:

<table>
<thead>
<tr>
<th>Sales (supplies made including VAT)</th>
<th>E2 875</th>
<th>Output tax</th>
<th>E375</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases (supplies received including VAT)</td>
<td>Nil</td>
<td>Input tax</td>
<td>Nil</td>
</tr>
<tr>
<td>VAT payable to the SRA</td>
<td>(output tax minus input tax)</td>
<td>E375</td>
<td></td>
</tr>
</tbody>
</table>

**The supermarket sells the cakes to the consumer**

<table>
<thead>
<tr>
<th>Sales (supplies made including VAT)</th>
<th>E4 600</th>
<th>Output tax</th>
<th>E600</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases (supplies made including VAT)</td>
<td>E2 875</td>
<td>Input tax</td>
<td>E375</td>
</tr>
<tr>
<td>VAT payable to the SRA</td>
<td>(output tax minus input tax)</td>
<td>E225</td>
<td></td>
</tr>
</tbody>
</table>

The SRA therefore collects a total of E600 in 2 stages, based on the value-added at each stage, as follows:

- **Baker**
  - Value-added = E2 500 \( (E2875 – E375) \) x 15% = E375
- **Supermarket**
  - Value-added = E1 500 \( ((E4560 – E560) - E2500) \) x 15% = E225
- **Payable to SRA**
  - E600

2.5 **Rates of VAT**

The Eswatini VAT operates on two rates, the standard rate of 15% and the lower rate of zero (0%). All taxable supplies of goods and services are treated in one of the following ways:

**Standard rated supplies** – these are taxable supplies on which VAT is chargeable at the standard rate of 15%. A supplier of standard rated goods/services must charge VAT on supplies made.

**Zero rated supplies** – these are taxable supplies on which VAT is chargeable at the rate of 0%. A supplier of zero rated goods/services collects no output tax.

Some examples of zero rated supplies include:

- Direct exports
- Milk
- Fresh fruits
- Agricultural inputs
- Fresh eggs
- Maize meal
- Brown bread
- fresh vegetables
- Beans
- Fuel (Petrol, Diesel and Paraffin)

* See Annexure 3 for the complete list of Zero rated commodities.

**Exempt supplies** – these are supplies where VAT is not chargeable at all. Exempt supplies fall outside the scope of VAT. A supplier of exempt supplies can neither charge VAT on sales nor claim tax paid on business inputs. For this reason, suppliers of only exempted goods/services cannot register for VAT.

Some examples of exempt supplies include:

- Postage stamps
- Insurance services
- Transfer and letting of residential accommodation
- Passengers transport
- Financial Services
- Education Services

* See Annexure 2 for the complete list of exempt commodities.
2.4 Difference between Zero rated and exempt supplies

A business making only Zero rated supplies can apply for VAT registration as Zero rated supplies are taxable supplies. This means that a taxpayer who supplies zero rated supplies is entitled to claim input tax credits on purchases made on the business. Most suppliers of Zero - rated supplies will have input tax credits which exceed their output tax and may more often be in a refund position.

Example

Mark Model PTY LTD carries on a dairy business. During a certain VAT period the business makes E300 000 from the sale of milk. In the same period the following expenses were incurred (VAT included):

- Purchase of dairy cows from a VAT registered supplier of dairy cows: E115,000
- Fuel: E8,000
- Purchase of packaging materials: E57,500

**Computation of input and output tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total output tax:</strong></td>
<td>NIL</td>
</tr>
<tr>
<td><strong>Total Input Tax:</strong></td>
<td></td>
</tr>
<tr>
<td>15/115 * 115,000 (purchase of the cows)</td>
<td>E15,000</td>
</tr>
<tr>
<td>15/115 * 57,500 (purchase of packing materials)</td>
<td>E7,500</td>
</tr>
<tr>
<td><strong>Output tax – Input tax</strong></td>
<td>VAT due</td>
</tr>
<tr>
<td>Nil – 22,500</td>
<td>-E22,500 (Refundable)</td>
</tr>
</tbody>
</table>

**A business making only exempt supplies** cannot be registered for VAT because exempt supplies are not taxable supplies. This means that such a business must not charge VAT on its supplies and cannot claim any input tax credits on its purchases.

Example

Sonkhe Transport runs a fleet of buses used exclusively to provide public passenger service. It imports a new bus for the exclusive purpose of its local passenger transport business and pays an amount of E32 000 VAT on the value of the bus on importation.

Since the business of transporting passengers is exempt, the VAT paid is wholly attributable to making exempt supplies.

Sonkhe Transport can therefore not be allowed to register for VAT.

Sonkhe is neither allowed to charge VAT on the bus fare nor can the business deduct any input tax in respect of the VAT paid on the importation of the bus or any other expenses incurred in the course of running the business.

Sonkhe Transport reflects the E32,000 as part of his business expenses but not for VAT refund purposes.
A business making both taxable and exempt supplies can be described as a partially exempt business. In such cases only input tax credits in respect of the taxable part of the business can be claimed and only output tax in respect of the taxable supplies should be declared. Such taxpayers will need to apportion the Input tax so incurred proportionally between the taxable and non-taxable parts of the business.

Example

Zwane Property Developers leases a double storey building which houses a shop on the ground floor and residential flats on the upper floor. The total turnover it receives from the rental of the whole building is E60,000.00 per month comprising E20,000.00 and E40,000.00 from the residential flats and the shop respectively. According to the VAT Act, rental income from the Shop is taxable at the standard rate but the rental from the residential accommodation is exempt. Zwane properties received a total electricity bill of E3,000.00 including VAT for the whole building since there are no separate meters for the shop and the flats. This implies that there is E391.30 VAT Included in the electricity bill (15/115*E3,000)

**IMPLICATIONS**

- The fact that there are no separate meters means that Zwane Properties cannot directly attribute the input VAT of E391.30 on the electricity bill to either the shop or the residential flats.
- In this case, Zwane Properties will need to use the turnover methodology to apportion the input tax of E391.30 between the taxable and exempt businesses as follows;

| EXEMPT (Flats) | E20,000/60,000 * 391.30 = E 130.43 |
| TAXABLE (Shop) | E40,000/60,000 * 391.30 = E260.87 |

- According to the VAT Act, an input tax credit is allowed only in respect of inputs purchased for the taxable portion of the business. This means Zwane Properties can only be allowed to claim E260.87 being tax in respect of the taxable portion of the business (the Shop).

Example

**Application of the turnover-based method of apportionment**

A taxpayer buys computer software for E456,000 (including VAT). The taxpayers apportionment ratio is 60% based on the turnover-based apportionment method. The software is used to administer the supplies of all the taxable and exempt divisions of the taxpayer’s business activities. The software is therefore used by the taxpayer partially in the course of making taxable supplies and partially for making exempt supplies. In this case, 60% of the VAT incurred on the acquisition of the computer software (E33 600) may be deducted as input tax.

Calculation: [(E460 000 x 15/115) x 60%] = E60 000 x 60% = E36 000

**Application of the de minimus rule**

The taxpayer buys computer software for E460 000 (including VAT). The apportionment ratio is determined to be 96% based on the turnover-based method of apportionment. The software is used to administer the supplies of all the taxable and exempt divisions of the taxpayers business. The software is therefore used by the taxpayer partly in the course of making taxable supplies and partly for making exempt supplies.

However, since the apportionment ratio is calculated as being 96%, the full amount of Input tax may be deducted. This is because the *de minimis* rule (where the ratio is more than 95%) may be applied so that the entire expense is regarded as being in respect of making taxable supplies. As a result, the full amount of E60 000 VAT incurred on the acquisition of the computer software may be deducted as Input tax.

Calculation: E460 000 X 15/115] x 100% = E60 000
2.6 Advantages of VAT over Sales Tax

- Sales Tax is collected only at one stage (i.e. On manufacturing, on importation and on selected services) whilst VAT is collected at various stages throughout the supply chain.
- The current Sales Tax is prone to tax cascading (i.e. tax being charged many times on the same item thereby) whereas VAT eliminates such.
- VAT is not a business cost since businesses can claim back input tax paid on their purchases.
- It provides a clear audit trail for the SRA to verify the amount of tax declared as output tax at each stage of the distribution chain.

2.7 How value is added and the VAT collected

The following example shows how VAT works throughout the distribution chain from wholesaler to retailer.

<table>
<thead>
<tr>
<th>Business Entity</th>
<th>Sales (E)</th>
<th>Tax on Output (E)</th>
<th>Tax on Input (E)</th>
<th>Net Tax Paid (E)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fabric Supplier</td>
<td>10.00</td>
<td>1.50</td>
<td>0</td>
<td>1.50</td>
</tr>
<tr>
<td>Garment Manufacturer</td>
<td>50.00</td>
<td>7.50</td>
<td>1.50</td>
<td>6.00</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>70.00</td>
<td>10.50</td>
<td>7.50</td>
<td>3.00</td>
</tr>
<tr>
<td>Retailer</td>
<td>100.00</td>
<td>15.00</td>
<td>10.50</td>
<td>4.50</td>
</tr>
</tbody>
</table>

Note: Assumption – VAT rate is 15%
VAT paid on input is refunded at each stage of the supply chain.
The final price that the consumer has to pay is E115.00 (cost + VAT)

The example illustrates that although VAT is collected in stages throughout the supply chain by VAT registered businesses, it is a tax on consumption and finally it is the end consumer that is paying the VAT.

The final consumer is paying the full VAT of **E15.00 which is included** in the retail price. VAT is borne by the first buyer that is not registered for VAT in the chain that could begin with the manufacturer or importer and goes through the distribution or supply stages to the final consumer.

2.8 Supplies for VAT purposes

VAT is a tax charged on goods and services that are taxable. There are some business transactions in addition to a straight sale, which are also viewed as taxable supplies under VAT e.g. Gifts, business goods taken for own use and hire purchase leases.

2.8.1 Taxable supplies

A taxable supply is a supply of goods or services made by a taxable person, in the course or furtherance of a business (other than an exempt supply). This means that goods or services not sold in the course of, or furtherance of a business by private individuals or by unregistered businesses are not taxable supplies. For example, the sale of a vehicle by a private individual.

2.8.2 Taxable person

A taxable person is a person who is registered or is required or ought to be registered for VAT.

2.9 Importation of goods

VAT is charged on all importations of taxable goods imported by private persons or by businesses (whether or not they are registered for VAT). However, where the Minister of Finance has specifically provided, through Regulation, that those goods are exempt they shall be exempt. VAT on imported goods becomes input VAT for a VAT registered taxpayer and a business expense for an unregistered taxpayer.
2.10 Importation of services (reverse charge mechanism)

VAT is also charged on all taxable services imported into the country. However the taxation of imported services may prove to be difficult as it is sometimes impossible to trace trade in services not involving border frontiers. A reverse charge mechanism is therefore used to ensure that the obligation to charge and remit VAT is placed on the Swazi recipients of these services.

The reverse charge mechanism dictates that where a local person buys taxable services from a foreigner for use in Eswatini, he/she is obliged to calculate and pay VAT to the SRA. The obligation to charge, calculate and pay VAT is therefore reversed from the non-resident supplier to the local receiver of the service. This obligation is not applicable for VAT registered taxpayers if they have a right to full deduction of input tax on the service. This is because the taxpayer would pay such VAT and then claim it back, the net effect of which is zero.

The reverse charge system is meant to ensure that consumers of foreign services pay tax in the same way as they do for local services in order not to disadvantage suppliers of local services by making their supplies more expensive by the amount of tax they will charge to render the service. If foreign suppliers of services is not charged the tax then local recipients of the services would be required to pay it from their own sources.

2.11 Export of goods

Exports may be direct or indirect. A direct export is where the supplying taxpayer (the local entity) makes supplies to his customer in an address in another country. In this case the supplier has full control of the goods exported and should charge VAT at 0%.

The following documents will be required as proof for direct exports:

- Commercial invoices
- Copies of the documents presented to the SRA Customs Department at exportation.
- Copies of Customs importation documents at the country of destination.
- Proof of payment (settlement) if applicable.

An indirect export occurs where the foreign recipient/buyer removes or arranges for the removal and transport of movable (taxable) goods purchased in Eswatini to an address in another country. In this case the Swazi supplier no longer has full control of the goods or services and must charge VAT at the standard rate of 15%. For instance, where a foreign buyer arranges his own transport to pick up the goods from the supplier in Eswatini and transports them to the country of destination.

2.12 Place of supply

To be charged VAT, a supply must be made in Eswatini. Supplies made outside Eswatini are outside the scope of Eswatini VAT. The place of supply is not always obvious (especially concerning supplies of services). There are rules to help taxpayers to determine the place of supply for goods and services. These are set out below:

2.12.1 Place of supply of goods

The place of supply of goods takes place where the goods are delivered or made available to the customer. If the goods are in Eswatini when allocated, the supply is in Eswatini. If the goods are supplied to a customer outside Eswatini, the place of supply is not in Eswatini as they are exported.

The export of goods or services is a taxable supply and the applicable VAT rate is 0%.
2.12.2 Place of supply of services

A supply of services normally takes place where the services are rendered.

The supply of a number of services takes place where the recipient of the services obtains the advantage of the services.

This includes the following services: advertising services, the services of consultants, engineers, lawyers, accountants as well as telecommunication services, electronically supplied services and radio and television broadcasting services.

2.13 The time of supply

It is important to establish when a taxable supply is made because that is the point at which VAT becomes payable to or refundable from SRA. In terms of the VAT Act, the time when taxable supplies are made is the earliest of:

- for goods, it is on the earliest of either the time when they are made available to the person, to whom they are supplied; the time when a payment is received; or the time when a tax invoice is issued; and
- for services it is on the earliest of the time when a payment is received; the time when a tax invoice is issued; or the time when they are actually rendered or performed.

Deposits: Most deposits serve primarily as advance payments and VAT will be payable when a deposit is received. However, certain deposits are not a payment for a supply and their receipt does not create a taxable supply, e.g. when a deposit is taken as security to ensure the safe return of goods hired out and the deposit is refunded when the goods are returned safely.

Continuous supplies of services: If a supply of services is made on a continuous basis and payments are received regularly or from time to time, VAT is due at the earliest time of the conditions set above.

Sale or return agreements: When goods are supplied on sale or return agreements, they have not been sold and are still owned by the supplier until such a time as the customer adopts them. Adoption means the customer pays for them or otherwise indicates a wish to take ownership and keep them. Until such happens, the customer has an unqualified right to return them at any time, unless a time limit has been agreed. The time of taxable supply for such consignments is the earliest of the date of change of ownership, payment or invoicing.

Goods taken for personal or other non-business use: If goods are taken out of a business, for personal use or for non-business use, the taxable supply takes place at the time when goods are taken or set aside for this purpose.

Supplies of, gas or any form of power, heat, refrigeration or ventilation: There is a taxable supply each time a supplier issues a tax invoice or receives a payment, whichever happens first.

Services supplied in units at frequent intervals, such as metered supplies: If a supplier cannot determine the time when a utility was supplied, the taxable supply takes place at the time when a tax invoice is issued or a payment is received for services performed up to a specified date.

Staged payments and part payments: Staged payments or part payments, are common in the construction industry; a taxable supply is created at the time of payment or when a tax invoice is issued.
Example

**Progressive Supplies (construction)**

SH Construction is registered for VAT on a monthly tax period and enters into a contract to build 50 residential units for a total contract price of €6 500 000 (VAT inclusive).

The agreement provides for monthly progress payments to be made over a period of 12 months. At the end of August 2018 and September 2018, the work certified as completed by the appointed project manager was 10% and 23% respectively.

SH issues two tax invoices as follows:

Invoice 1357 - 31 August 2018: €650 000 (10% of €6 500 000)
Invoice 1358 – 30 September 2018: €845 000 (23% of €6 500 000 less €650 000 already invoiced)

As the goods are deemed to be supplied progressively, SH will not account for the full contract price at the time the agreement is entered into.

SH will account for VAT of €84 078.261 (15/115 x €650 000) in the August 2018 return and €110 217.39 (15/115 x €845 000) in the September 2018 return.

**Property and leasehold:** If periodic payments of rent are received, the taxable supply takes place when the service is performed, on the date payment is received, or the date a tax invoice is issued, whichever happens first.

### 2.14 Taxable Value

The taxable value is the price that is charged for goods and services onto which VAT at 15% must be added. For goods and services which do not attract Excise Duty, the taxable value is simply the net selling price exclusive of VAT; while for supplies which attract Excise Duty, it is the net selling price plus Excise Duty, exclusive of VAT.

For imported goods the taxable value is the value of the goods ascertained for purposes of Customs Duty under the laws relating to Customs; the amount of Customs Duty, Excise Duty, and any other charge other than VAT payable on those goods; and the value of the services to which Section 12(3) in the VAT Act applies which is not otherwise included in the Customs value as stated above.

There are some circumstances where the taxable value is calculated differently. For instance:

- When goods are supplied as a gift.
- In barter or part exchange transactions.
- Where goods or services are supplied at a reduced price to employees and others associated with a business.

In such cases, the **fair market value** must be used. The fair market value is the price at which the goods or services concerned would have fetched in the ordinary course of business, between persons who are not associated.
PART THREE

VAT REGISTRATION

3.1 Compulsory and Voluntary Registration:

All businesses with an annual turnover of taxable supplies exceeding E500 000 are required to register for VAT. Any other business that reasonably expects to attain this threshold should also apply to register.

National, Regional or Public Institutions (parastatals, municipalities) who make taxable supplies are required to register for VAT even though they do not meet the above mentioned threshold.

Businesses whose taxable turnover does not exceed E500 000 may be registered under voluntary registration. However, it is important to note that voluntary registration is at the sole discretion of the Commissioner General.

3.2 Requirements for VAT registration

The Commissioner General will not register a person unless he is satisfied that:

a) The person has a fixed place of abode or business;

b) There are reasonable grounds to believe that the person:
   i. will keep proper accounting records relating to any business activity carried on by that person;
   ii. will submit regular and reliable tax returns as required under the VAT Act; and
   iii. is a fit and proper person to be registered;

c) The applicant is dealing in taxable supplies; and

d) The business is based in Eswatini and keeps all accounting records in Eswatini.

Calculating the total value of taxable supplies for registration purposes

Example

Sandza trades as “Sandza Construction”. He tenders for a building contract of E3.5 million. Presently, the turnover from construction activities averages around E10 000 per month (E120 000 per 12 month consecutive period).

If Sandza Construction is not awarded the contract, he has an option to apply to register voluntarily, or he can elect not to register.

However, if awarded the contract, he would immediately know that he is going to exceed the E500,000 compulsory VAT registration threshold. In this case, he would be required to register his enterprise immediately.

3.3 Effective Date of Registration

The effective date of registration for a person who has been registered under compulsory registration is the beginning of the tax period immediately following the period in which the duty to apply for registration arose.

The effective date of registration for a person registered under voluntary registration is the beginning of the tax period immediately following the period in which the person applied for registration.
3.3.1 Late registration.
A taxpayer is liable to pay an additional tax equal to double the VAT payable during the period for which he failed to register on time. The VAT payable is to be calculated from the time the taxable person was supposed to register.

3.4 The legal entity to be registered for VAT
The following entities can be registered for VAT purposes:
- Individuals (e.g. sole proprietors).
- Companies.
- Partnerships.
- Trusts.
- Groups of persons (associations and clubs).
- Joint Ventures.
- Companies in liquidation.
- Companies in receivership.
- Government Institutions like parastatals and local authorities

3.5 Businesses with branches
Normally only the head office is registered for VAT and not their individual outlets or branches. This means that businesses with a number of branches or outlets will normally have a single registration and submit only one VAT return and one payment for each VAT period, keeping administration burdens to a minimum. However, where for some practical reasons it is more convenient, a branch or division of a head office may register separately and carry on the obligations of a registered supplier if the branch:
- maintains an independent system of accounting;
- can be separately identified in terms of the nature of the activities carried on or location thereof. If this is done, VAT has to be charged on supplies between separately registered divisions, outlets or branches; and
- reaches the threshold for registration, or applies for voluntary registration.

Where the business is a franchise and has different branches that are owned by the same franchisee, the same rules as above apply, i.e., each branch maintains an independent system of accounting and can be separately identified in terms of the nature of the activities carried on or location thereof, unless these different branches of the franchise have a collective system of accounting. On the other hand where the franchise is owned by different franchisees at different locations, these businesses must register separately.

Separate registrations and the liability to register

Example
Mr. Dlamini is a sole proprietor and trades under the following three trading names:
- **Mbabane Suppliers**: Turnover of E510 000 – Taxable supplies
- **Manzini Suppliers**: Turnover of E390 000 – Taxable supplies
- **H. Shoe Retailers**: Turnover of E220 000 – Taxable supplies

The combined turnover of the three businesses is E1,120,000. The “person” carrying on all three businesses is Mr. Dlamini a sole proprietor. Since he is making taxable supplies in excess of the annual registration threshold of E500 000 he must register for VAT and account for VAT at 15% on all the sales in each business from the date of registration. However, Mr. Dlamini can choose to register all three businesses separately for VAT.
3.6 VAT relating to Government agencies

VAT registered taxpayers must charge VAT on all taxable supplies to Government and Government institutions must register for VAT, if they make taxable supplies. Government institutions include:

- Any Ministry or Department of Government;
- A statutory body or board;
- A local authority; or
- Any institution or body in which the Government has direct or indirect control or which is wholly or partially owned by Government.

3.7 The obligations of a VAT registered supplier

A VAT registered taxpayer is required to:

- Display the VAT Registration Certificate prominently in a public area of the business. (The registration certificate will be taken away upon deregistration);
- Charge VAT on all taxable supplies;
- Submit VAT returns and pay VAT on or before the due date to the SRA i.e. within 20 days after the end of a tax period. Note: There is additional tax charged for late submission of returns and payments as provided by Section 72 of the VAT Act;
- Issue tax invoices;
- Maintain accounts and records, and retain them for minimum periods of 5 years, to enable the SRA to verify the VAT liability;
- Advise the SRA of any changes in business details e.g. change of address or telephone number, addition of new partner, cessation of business, etc;
- Allow officers of the SRA to enter the business premises and examine goods and all business records;
- Provide information about the business as required by officers of the SRA.

3.8 Duty to notify SRA of any changes in the business

Taxpayers must notify the SRA in writing in the following circumstances:

- When there is a change in the legal status of an entity;
- If the business ceases trading permanently;
- If the business is sold;
- If a taxpayer is registered and fails to make taxable supplies;
- If the taxpayer’s total taxable supplies fall below the registration threshold?
- A change in the trading name of the business or the name and/or address of any partner in the business;
- A change in the address of the principal place at which the business is carried on.

3.9 Conditions for deregistration

Cancellation of registration may either be requested by a taxable person through application or it may be at the Commissioner General’s instance where he is of the opinion that the taxpayer may not have been supposed to be registered in the first place.

A registered taxpayer may apply for deregistration if he/she stops making taxable supplies as part of a business activity or if he/she fails to reach the threshold. One would have failed to reach the threshold if for a total of one year the taxpayer’s taxable turnover fails to reach three quarters (75%) of the yearly threshold excluding the tax. Tied to this condition is a condition that in the last three months of that year (the year in which he/she failed to reach 75% of the annual threshold) the taxpayer must have failed to make a taxable turnover that is worth a quarter of the yearly threshold excluding tax.
For voluntarily registered persons, the Commissioner General may cancel a taxpayer’s registration if the taxpayer has no fixed place of doing business or if he has not been keeping proper accounting records. A voluntarily registered taxpayer’s registration may also be cancelled if the taxpayer has not been submitting regular and reliable returns or if the taxpayer is generally not a fit and proper person for registration.

These requirements are identical to what is expected before an application for voluntary registration may be allowed. So cancellation based on the same reasons as those required for registration means that the taxpayer did not abide by those requirements or that the taxpayer was not supposed to have been registered in the first place.

Voluntarily registered taxpayers are not allowed to apply for cancellation of registration before the expiration of two years. This prevents businesses from being registered for the sole purpose of securing tax benefits from the system then quickly deregistering. For example one may apply for registration so to claim input tax deductions after acquisition of capital goods then quickly deregistering before submitting any other tax. It also prevents the taxpayers from regularly moving in and out of the VAT system which may pose an administrative challenge on the Revenue Authority.

3.10 Application for de-registration

All applications for deregistration should be in writing and addressed to the Commissioner General and should include the applicant’s Taxpayer Identification Number (TIN) and full details of the circumstances giving rise to the request. An application for deregistration can be submitted at any SRA office.

3.10.1 Instances where cancellation of registration will take place:

Registration can be cancelled:

- if a taxpayer has been registered in anticipation of commencing a business on a certain date but does not carry on any business on or before that date;
- if a taxpayer stops making taxable supplies; and
- if a taxpayer fails to reach the threshold.

A taxpayer is deemed to have failed to reach the threshold if for a total of twelve months the taxpayer’s taxable turnover fails to reach three quarters (75%) of the annual threshold excluding VAT. Another condition is that in the last three months of the twelve months (the twelve months in which he failed to reach 75% of the annual threshold) the taxpayer must have failed to make a taxable turnover equivalent to a quarter of the annual threshold excluding VAT. This is in any twelve month period.

3.10.2 Payment of VAT on stock and assets on hand at deregistration

Taxpayers are required to pay VAT on the value of any stocks and capital assets on hand at the date of deregistration where input VAT has been claimed in respect of such stock or assets. This is because the registered supplier is, in effect, deemed to have been making a taxable supply to himself. However, no VAT is payable in respect of purchases of these items if input VAT deduction was not allowed on initial acquisition.

3.10.3 Effective date of cancellation

Cancellation of registration will normally take effect from the last day of the month in which the cancellation application is approved by the SRA. It is important that taxpayers continue to charge VAT until the registration is formally cancelled. The registration certificate will be taken back upon deregistration.
3.10.4 Changes not requiring cancellation of registration

The following changes will not normally require cancellation of registration:

- A change in the trading name of the business or the name and/or address of any partner in the business;
- A change in the address of the principal place at which the business is carried on.

For such changes, a registered taxpayer should notify the SRA and have the changed details amended.
PART FOUR

4.1 INPUT TAX

Claiming back the tax paid on business purchases and expenses

The VAT incurred on purchases and expenses is called input tax. This Section explains the basic mechanisms of VAT and input tax.

Input tax is incurred on the purchase of taxable supplies. These purchases could be in the form of stock, capital goods and services. Such goods and services may be acquired for business or private use. A registered taxpayer may be allowed to claim input tax and the sections below explain in detail the mechanics of input tax.

4.1.1 Claiming Input tax

The underlying principle is that for input VAT to be claimed, it must have been paid on taxable supplies and charged by a registered taxpayer. A tax invoice showing the amount of VAT on local purchases and Customs documentation showing VAT paid at importation must be held before any claim can be made. Purchases or business expenses on which input tax credit is claimable must relate to taxable and not exempt supplies. Partially exempt businesses are not allowed to claim input tax credits on the purchases attributable to the supply of exempt goods or services. Only the portion that relates to none exempt business supplies can be allowed to claim input tax credit.

A tax invoice showing the amount of VAT on local purchases and Customs documentation showing VAT paid at importation must be held before any claim can be made.

4.1.2 When is claimed input VAT reversed

Where input VAT has previously been claimed and the items on which it was claimed for are deemed to be for own consumption, the claimed input VAT is reversed and paid over to the SRA. This will normally occur when a business is deregistered.

4.1.3 Instances when input VAT is disallowed

To ensure that only input tax which relates to taxable business activities is claimed the following are some restrictions on what can be claimed:

- no input tax in respect of VAT on a passenger automobile purchased by a taxable person can be claimed, unless such person is in the business of dealing in, or hiring of, passenger vehicles and that vehicle was acquired for the purposes of that business;
- no input tax claim will be allowed in respect of goods and services acquired for purposes of entertainment; and
- only 50% credit of the VAT incurred on mobile telephone services can be claimed.

To be allowed to claim an input tax credit, the expenditure must be for the purposes of the business i.e. not for private use. Where purchases are partly for business and partly for private use, only the business proportion can be claimed. For example, if a VAT registered business pays for diesel for a truck used by a Director or employee for both private use and for business purposes and the private usage is 25% of the total usage, only 75% of the input VAT on the diesel can be claimed.
PART FIVE

5.1 OUTPUT TAX - (Retailers - Accounting for VAT on supplies made)

Output tax is the VAT charged by taxpayers on the taxable supplies they make. A taxpayer is required to issue a tax invoice clearly indicating the VAT charged on the taxable supplies.

All taxpayers must charge and account for VAT on the taxable supplies they make. Depending on the nature of the business there are some options on how this is done. The types of suppliers can be divided into two broad categories: Retailers who make sales direct to the consumer and non-retailers who normally issue invoices to other entities, such as manufacturers, wholesalers etc. In order to simplify the tax invoice requirements for retailers, an abridged tax invoice can be allowed for these entities. An abridged tax invoice is often used by retailers, where the customer has bought goods less than E3000.00 (Three thousand Emalangeni).

5.1.1 Output VAT by retailers

The VAT Act requires that at the retail level all prices be shown as inclusive of VAT. Approved methods for displaying VAT are as follows:

<table>
<thead>
<tr>
<th>Method 1</th>
<th>Method 2</th>
<th>Method 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>All individual amounts reflected</td>
<td>Total cost and the VAT rate charged</td>
<td>Cost and the VAT charged</td>
</tr>
<tr>
<td>Price (excl. VAT)</td>
<td>The total cost</td>
<td>Cost</td>
</tr>
<tr>
<td>VAT charged</td>
<td>VAT included @15%</td>
<td>VAT included</td>
</tr>
<tr>
<td>TOTAL incl. VAT</td>
<td>E575</td>
<td>E75</td>
</tr>
</tbody>
</table>

5.1.2 Output VAT by non-retailers

Not every retail business is allowed to opt to issue an abridged tax invoice. The exceptions include those businesses where the normal trade practice is to issue invoices. Businesses in these categories are treated as non-retailers as far as VAT is concerned and should follow the guidance for non-retailers e.g. lawyers and accountants.

5.2 Retailers with mixed supplies

Retailers supply a combination of goods, some of which are standard rated for VAT and others are zero rated or exempt. It is, therefore, important for retailers to keep detailed records to be able to account for the VAT at each tax rate.
PART SIX

6.1 VAT ACCOUNTING

Accounting basis

There are two methods of accounting for VAT; the default method being the Invoice basis under which output tax is accountable for on the earliest of either issuance of a tax invoice, receipt of payment or delivery of the taxable supplies. The second is the Cash basis, which taxpayers can only use on application and granting of permission by the Commissioner General. Under this method a business only accounts for output tax on receipt of payment for taxable supplies made.

6.1.1 The invoice basis

Taxpayers who use the Invoice basis must account for output tax on all taxable supplies (sales), both cash and credit, whether or not payment has been received for the supplies made. Similarly, input tax can be claimed on cash and credit purchases at the time the tax invoice is obtained. If a payment or part-payment is received before a tax invoice is issued a taxable supply has occurred and the VAT is due on that payment.

For transactions for which payment is not made wholly in cash, e.g. barter, part exchange, business gifts, etc. a taxable supply is deemed to have taken place immediately and VAT is due at the time of the transaction.

Example

Taxpayer A, (a hardware retailer) accounts for VAT on the Invoice basis.

He purchases a new fridge for resale in October 2018 and immediately receives a VAT invoice for E3 450 (incl. VAT @ 15%).

He pays the supplier E2 280 on 30 November 2018. The supply is made to taxpayer A in October even though he only starts paying in November and may claim the full input tax of E450 (15/115*3450) in the period ending October 2018; this is despite the fact that he has not yet paid for the goods in full by the end of that tax period.

He then sells the fridge for E5 750 (incl. VAT @ 15% - E750) and issues an invoice on 15 December 2018.

Payment is received on 20 January 2019. Taxpayer A accounts for E 750 VAT in the tax period covering December 2018, irrespective of the fact that he only receives payment in January 2019.

6.1.2 Payment or cash method basis

Taxpayers, who are permitted to use the Cash basis, are required to account for VAT to the extent that payment has been made or received. In other words, output tax (VAT on sales) is accounted for on the cash receipts from taxable supplies made and input tax (VAT on purchases) is recovered only on those invoices where payment has been made for taxable supplies received during the tax period.

Transactions for which payment is not made wholly in cash, e.g. barter, part exchange, business gifts, etc., VAT is due immediately the payment is made.

It is important to note that, even if a taxpayer is on the Cash basis method tax invoices must still be issued. Only businesses whose annual value of taxable supplies does not exceed E3 Million are allowed to be on the Cash basis of accounting. See the following example:
Below is an example of the payment/cash basis of accounting for VAT;

Taxpayer B who accounts for VAT on the Cash basis purchases a fridge for resale in October 2018 and immediately receives a VAT invoice for E3 450 (incl. VAT @ 15%).

He pays the supplier E2 300 on 30 November 2018. He may claim only part of the input tax (E2 300 x 15/115 = E300) in the period ending November 2018, even though the supply was concluded in October 2018. If he pays the balance of the purchase price in December 2018, then the balance of the input tax (E150) can be claimed in that tax period.

He sells the fridge for E5 750 (incl. VAT @ 15%) and issues an invoice on 15 December 2018. Payment of E3 450 is received on 20 January 2019.

Taxpayer B only accounts for E450 in VAT (E3 450 x 15/115= E450) in the tax period ending January 2019 even though the transaction was concluded in December 2018.

The balance of E300 in output tax is only accounted for in future tax periods when and to the extent of payment received.

Below is a comparison of invoice basis vs. payment basis;

<table>
<thead>
<tr>
<th></th>
<th>Invoice basis</th>
<th>Cash basis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Sales E57 500 (cash received E11 500)</td>
<td>E7 500</td>
<td>E1 500</td>
</tr>
<tr>
<td><strong>Input tax</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total purchases E23 000 (paid full amount in cash)</td>
<td>E3 000</td>
<td>E3 000</td>
</tr>
<tr>
<td>VAT Payable/ Refundable</td>
<td>E 4 500</td>
<td>(E1 500)</td>
</tr>
</tbody>
</table>

Assume the following sales and purchases figures (including VAT) for the tax period January to February 2019 input tax and output tax is calculated by applying the tax fraction 15/115 to the relevant amounts, that is, amounts invoiced (invoice basis) and cash amounts (Cash basis).
PART SEVEN

7.1 TAX INVOICES

Most non-retail suppliers will use the Invoice based method of accounting. I.e. the calculation of VAT is based on the issue and retention of tax invoices. All such taxpayers must issue a tax invoice for every taxable supply. Complete copies of tax invoices must be retained for a minimum period of 5 years and must be produced to an authorized SRA officer on request.

For retailers, full tax invoices do not have to be issued, as an abridged tax invoice may suffice in a sale of less than E3 000 (Three thousand Emalangeni); however, a full tax invoice should be issued to customers who ask for it.

A tax invoice must be issued within 30 days of the supply having been made.

7.2 The tax invoice

The following details must appear on a tax invoice:

- The words "Tax invoice" in a prominent place.
- The name, address and Tax Identity Number (TIN) of the supplier.
- The name or business name and address and TIN (if any) of the recipient (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 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 and/or any discount and the rate of VAT.

Example of a full tax invoice (where consideration is more than E3 000)

<table>
<thead>
<tr>
<th>DATE</th>
<th>QUANTITY</th>
<th>DESCRIPTION</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-08-2018</td>
<td>1</td>
<td>Toyota Corolla</td>
<td>E228 000.00</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>Alarm system</td>
<td>E 3 420.00</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>E231 420.00</td>
</tr>
</tbody>
</table>

VAT included @15%  E30 185.22

Note: Taxpayers must separate standard rated, zero rated and exempt supplies on the tax invoice.
7.3 Simplified/abridged tax invoice

Only the following details must appear on the invoice:
- The words "Tax Invoice" in a prominent place.
- The name and TIN of the supplier.
- The invoice serial number and date of issue.
- A description of the goods or services supplied.
- The total selling price including VAT.
- And, either the amount of VAT charged, or a statement that it includes VAT at the applicable rate.

Example: Simplified tax invoice (VAT shown inclusive)

Abridged tax invoice (where consideration is less than E3000.)

Note: Taxpayers must separate standard rated, zero rated and exempt supplies on the simplified tax
In situations where it is impractical to issue a tax invoice or to include certain information and sufficient other records are maintained, the Commissioner General may be approached for the necessary authority to dispense with this requirement.

7.4 Issue of tax invoices

Not more than one tax invoice may be issued for the same taxable supply. A customer is entitled to ask for a duplicate invoice, which then must be marked prominently as duplicate.

7.5 Customers requesting tax invoices from retailers

Customers who request a tax invoice should by law be given one, whether the customer is registered for VAT or not.

7.6 Credit notes

A credit note is issued to correct a genuine mistake or to give a credit to your customer under the following situations:

- goods invoiced as standard-rated which should have been exempt or zero rated
- if the supply did not take place
- if the nature of that supply has been fundamentally varied or altered;
- if the previously agreed consideration is being altered by agreement with the recipient (including a discount);
- if sub-standard goods are accepted by the customer at a reduced price
- if goods are returned or services are not accepted; and
- if goods and services are supplied for an unconfirmed consideration

7.7 Debit note

A debit note is a transaction that reduces amounts payable to a supplier, e.g. where goods are returned. A debit note is issued by the supplier when the consideration is subsequently increased.

7.8 Details to be reflected on debit/credit notes

The details are almost exactly the same as the details for a tax invoice. However, the amount of the adjustment (total consideration and VAT) must also be reflected. It must refer to the original tax invoice which is going to be affected by the adjustment i.e. tax invoice date and number. The following details must be reflected on the debit or credit note:

- the words “Credit Note” or “Debit Note” in a prominent place;
- the supplier’s commercial name, place of business and TIN;
- the recipient’s commercial name, place of business and TIN;
- the date of issuing the credit or debit note;
- a brief explanation of the circumstances which gave rise to the issuance of the debit or credit note;
- sufficient information to identify the taxable supply to which the debit or credit note relates;
- the taxable value of the supply shown on the tax invoice, the correct taxable value, the difference between the two amounts and the VAT relating to the difference (i.e., the VAT overcharged); and
- be numbered consecutively.
Example

**CREDIT NOTE**

From: [Supplier]  
QUALITY TYRES LIMITED  
Kingsway  
P.O Box 1000  
Manzini

To: [Recipient]  

TIN Registration No: 1508457  
Credit Note No. 15

Date: 8th September 2018

<table>
<thead>
<tr>
<th>Tax invoice reference</th>
<th>Description of goods</th>
<th>Reason for credit note</th>
<th>Incorrect amount</th>
<th>Correct amount</th>
<th>Difference</th>
<th>VAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>No: 10962 dd 8/9/11</td>
<td>Widgets 300 x 200</td>
<td>Incorrect price charged TAX invoice reflects E 400 – should be E 300</td>
<td>400</td>
<td>300</td>
<td>100</td>
<td>15</td>
</tr>
</tbody>
</table>
PART EIGHT

8.1 Records and accounting systems

For VAT purposes, as far as possible the SRA tries to rely on the records ordinarily kept by the taxpayers. However, to make sure that businesses keep appropriate accounts and records the law prescribes some minimum requirements.

8.2 Records which must be kept

SRA officers will, from time to time, visit businesses to examine their records and accounts to be satisfied that VAT is being accounted for correctly. It is important to retain sufficient records and accounts to enable the officers to do this effectively. Businesses accounting for VAT for the first time may have to modify their normal accounting systems. Under the Act a VAT accounting system must:

- Record the nature, quantity and value of both supplies made and supplies received e.g. purchase and sales day books;
- Be able to distinguish between taxable and exempt supplies;
- Record payments for both supplies made and supplies received e.g. a cash book;
- Include a summary of the output tax, input tax and the net VAT payable or reclaimed i.e. a VAT Account;
- Contain adequate proof that goods have been exported e.g. copies of export documents, and copies of documents showing importation into the receiving country, proof of payment by the customer etc;
- Contain adequate proof that goods have been imported in addition to a commercial invoice;
- Contain adequate evidence for Zero rating of supplies made e.g. exports.

Purchase and cash sales books should include columns for the following:

- Invoice number;
- Invoice date;
- Supplier's name (purchase day book) and invoice value;
- The amount of VAT;
- The total VAT inclusive value of the invoice.

Partly exempt businesses will need to add extra columns to separate exempt sales and purchases relating to them.

8.3 Retail businesses must keep the following records:

Copies of all daily retail supplies transactions, such as till rolls, books and copies of any invoice or receipt books used.

8.4 Retention of records

All records and accounts, including tax invoices, debit and credit notes must be kept for a minimum of 5 years and made available for inspection to an authorized officer of the SRA on demand.
PART NINE

9.1 Making VAT returns and payments

A VAT return for each tax period and any VAT payable, must be submitted to the SRA not later than 20 days after the end of a tax period. For example, where a tax period ends on 31st July, the VAT return and payment should reach the SRA no later than 20th August.

Failure to submit a VAT payment is an offence and additional tax at 2% per month will be payable. Furthermore the taxpayer may be liable, on conviction, to fines or imprisonment or both.

9.2 False returns, documents, information, statements and fraudulent evasion.

Under the VAT Act it is an offence to make incorrect or false returns or declarations or to produce any false document, statement or information and on conviction this is punishable by fines and or imprisonment for up to three years.

9.3 Repayments of VAT

When the input tax of a business exceeds the output tax for a tax period, the difference is credited by the SRA to the account of the business. Businesses that are regularly in a refund position (e.g. exporters) may apply for a refund after the end of each tax period.

In order to detect incorrect claims and to discourage fraud before making repayments the SRA may wish to verify selected claims. This will be done as quickly as possible but some delay may be there before some refunds can be made.

9.4 The VAT return

This is a form to be submitted by registered taxpayers monthly or quarterly showing the total output tax made and total input tax incurred in a tax period. Amongst its financial records, a business must maintain a VAT account, which is invaluable for demonstrating the computation of a business’ VAT figures and is a useful record for the business as well as for inspecting officers.

*See annexure 1 for an example of a VAT return*
PART TEN

10. ADJUSTMENTS

10.1 Introduction

There are a number of situations that can lead to a need to adjust the amount of output tax or input tax deducted by a taxpayer in any tax period. Adjustments can be in respect of debit or credit notes issued if:

- the tax charged on the supply is incorrect;
- an incorrect amount of output tax was accounted for on a supply;
- adjustment in respect of changes in taxable use of purchased goods and services.

10.2 Adjustments in respect of debit/credit notes

The VAT Act provides for debit and credit notes to be issued in respect of a single supply. The consideration for a supply can only be altered by means of a debit or credit note. It is not correct practice to merely issue another VAT invoice. (This is similar to issuing more than one tax invoice for a supply which is not permitted).

Where the VAT properly payable is less than the amount already included in the calculation of VAT paid to the SRA, the supplier will be entitled to a credit for the reduced total amount payable. This credit arises in the tax period when the event giving rise to the adjustment takes place. But this credit may only be claimed where the excess included in the original calculation of the sale price has been repaid to the other party or credited to that person’s account against any other amounts owing by the purchaser.

**NOTE:** The effect for the recipient of the credit note will be the opposite. i.e. the recipient will have to adjust input tax on the amount refunded or be credited to their account.

**Example**

A sells goods to B for €115,000 tax inclusive and offers 10% cash discount for early settlement. B settles his account on time and is entitled to 10% discount per the tax invoice. This means the correct consideration is €90,000 and the correct tax payable by B is €13,500. There is therefore a need for an €1,500 adjustment to be made. The credit can only be claimed if A has either paid B back the €10,000 or has credited B’s account with the same against any other amounts owed by B.

Where the VAT properly payable exceeds the amount already included in the calculation of tax paid to the SRA the supplier will be required to declare output tax on the increased amount. The liability arises in the tax period when the event giving rise to the adjustment takes place and must therefore be shown on the return for that month.

**Note** The effect for the recipient of the debit note will be the opposite. i.e. the recipient will be entitled to claim input tax on the additional amount payable.

**Summary**

The rule for reflecting the VAT in respect of debit and credit notes is that the VAT on credit and debit notes issued must adjust the supplier’s output tax and the customers input tax, if the customer is registered for VAT.
**Note:** When purchasers receive discounts for prompt payment (details of which must be stated on the face of the tax invoice) credit notes need not be issued to cover the cash discount given. However, if a tax invoice for the supply has been issued and a later cash discount is provided a credit note must be issued.

10.3 *Adjustments for change in use*

On acquisition, input tax deductibility is based on the perceived extent to which goods will be used for taxable purposes. A business’ right to deduct input tax changes in case there is a change in the taxable use of the asset. The adjustment can either be a reduction or increase in deduction. If the initially claimed input tax was less than the correct amount to be claimed against the asset use, the business may claim additional input tax.

If the initially claimed input tax was higher than the correct amount, the business must adjust the previously claimed input tax.

*No input tax paid on capital goods originally acquired for private use which subsequently are converted to taxable can be adjusted.*

10.4 *Capital goods*

There are three main categories of capital goods for VAT purposes:

- Machinery, plant and equipment. These are subject to depreciation and are classified as tangible assets under accounting rules. However, they are considered as capital goods from a VAT perspective;
- Immovable property-real estate/fixed property;
- Repairs and maintenance of property.

10.5 *Periods of adjustment*

The period in which a business is obliged to adjust input tax deduction following changes in the taxable application of an asset, is the **period of adjustment**.

Period of adjustment for the following assets are as follows:

- Machinery and other plant and machinery 5yrs
- Immovable property/real estate/fixed property 10yrs

The adjustment ensures that the right to deduct input tax remains in line with changes in utilization. If compared to the initial input tax deduction at acquisition, once a business gets a reduced right it **must** adjust but if the right to deduction is increased the business **may** adjust.

Goods/services originally acquired for non-taxable uses are not eligible for adjustment if subsequently converted to taxable uses. (But initially exempt subsequently taxable is permitted- within the adjustment period)

10.6 *How to calculate the adjustment*

Taxpayers are entitled to deduct input tax at acquisition of capital goods.

This deduction is seen as an **advance** deduction to be distributed over the useful life of the asset (5 or 10 years depending on the nature of the asset). Deduction is permissible in the year of acquisition no matter when in the calendar year, acquisition occurred.

An adjustment is given by comparing initial advance deduction at acquisition to the current actual right to input VAT deduction.
**Example**

A taxpayer has acquired a capital good (equipment) and has paid **E 200,000** VAT. At acquisition, the equipment is used **80%** for taxable purposes. The following considerations are to be made:

1. The annual share on the VAT = VAT paid / Period of adjustment.
2. The annual advance = annual share * deduction % or taxable utilization at acquisition.
3. The actual deduction = dependent on the actual taxable use over the period of adjustment calculated at the end of each year.

**An adjustment can only be made where the difference between deduction % at acquisition and actual current deduction % is greater than ± 5% point.**

1. **Annual share** on the VAT = VAT paid / period of adjustment
   = E200,000 / 5yrs
   = **E 40,000**

2. **Annual advance** = annual share * deduction % or taxable utilization at acquisition
   = E40,000 * 80%
   = **E32,000**

Actual deduction % will either be equal to, less or more than 80%

**An adjustment will then have to be made on the Annual advanced amount depending on the actual taxable utilisation of the asset achieved**

10.7 **Subsequent transfer to non-taxable use**

If a business owner were to transfer a fridge from his/her retail shop for private use, the transfer is considered as a deemed supply and the consideration is the open market value at the time of such application or change in use. The output tax is accounted for in the tax period when such change or application occurred.

10.8 **Reduction in taxable use**

In situations where goods are acquired for taxable use and where such use later becomes reduced, an adjustment is required. For example an adjustment is necessary where goods are subsequently used for entertainment. What is adjusted is the VAT the taxpayer deducted at acquisition.
Example

During 2013 a business acquires a machine which it utilized 100% for taxable activities. The VAT on the machine is E200,000 which is deducted as input tax in 2013. In 2014 the machine is utilized 100% for taxable purposes, but in 2015 - 16 the machine is used for both taxable and exempt activities. The taxable usage is at 80, 45 and 20%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Utilization</th>
<th>Annual share (1/5) (0.2*200k)</th>
<th>Annual Advance</th>
<th>Annual Deduction %</th>
<th>Actual annual Deduction</th>
<th>Annual Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>100% Taxable</td>
<td>40,000</td>
<td>40,000</td>
<td>100</td>
<td>40,000</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>100% Taxable</td>
<td>40,000</td>
<td>40,000</td>
<td>100</td>
<td>40,000</td>
<td>0</td>
</tr>
<tr>
<td>2015</td>
<td>Mixed</td>
<td>40,000</td>
<td>40,000</td>
<td>80</td>
<td>32,000</td>
<td>(8,000)</td>
</tr>
<tr>
<td>2016</td>
<td>Mixed</td>
<td>40,000</td>
<td>40,000</td>
<td>45</td>
<td>18,000</td>
<td>(22,000)</td>
</tr>
<tr>
<td>2017</td>
<td>Mixed</td>
<td>40,000</td>
<td>40,000</td>
<td>20</td>
<td>8,000</td>
<td>(32,000)</td>
</tr>
</tbody>
</table>

Reduction in the taxable application gives rise to a deemed supply meaning a reduction in the right to deduct input tax and an adjustment of input tax must be done.

In the example, the business will reduce input tax by E8 000, E22 000 and E32 000 in years 2015, 16 and 17. This means the taxpayer will have to pay those respective amounts to the SRA as an adjustment for these years.

10.9 Increase in taxable application

There may be a variance between anticipated taxable use of assets and actual taxable use. Where anticipated use is less than actual use, the taxpayer will become entitled to more input tax deduction than originally claimed.

An adjustment will have to be made in respect of the additional entitlement.

*Note: Deduction is only allowable if goods/services have been initially acquired for taxable purposes.*

10.10 Transfer of adjustment obligation-going concern principle

The transfer of a “going concern” with or without consideration is not considered a supply for consideration if the acquirer is registered for VAT, and continues to perform the same taxable activities and has the same right to deduct the same rate of tax as the seller i.e. standard or any other applicable rate.

This means that the buyer can inherit the right to deduct. However where the foregoing do not hold, the taxable person has the obligation to adjust input tax previously deducted by the previous owner on acquisition of the asset. If the buyer chooses to, he/she must accept, in writing, to take over the obligation of adjustment. If not, the seller must calculate the adjustment and pay the remaining adjustment to the SRA.
10.11 Accepting the obligation to adjust

Where a taxable person accepts the obligation to “adjust”, they must do so whenever the input tax proportion changes in the remaining period of adjustment. The adjustment period will not and cannot be varied from the date of original purchase.

The new buyer(s) need to know the proportion of adjustment at the time of purchase by the original owner in order to determine any subsequent changes in adjustment proportions.

10.12 Compensatory deduction

The transfer of capital goods (other than immovable property) without transferring assets or parts thereof forming a separate business (going concern) is considered a taxable supply, provided the business that’s taking over had the right to FULL or PARTIAL deduction of input tax at the time of acquisition. Where VAT is charged on the sale of an asset for which the seller had only partial deducting rights, the seller is entitled to a compensating deduction of the input tax initially denied at acquisition.

Example

A taxpayer acquires in 2013 a machine on which VAT is E200,000. The machine is in the year of acquisition (2013) utilized 70% for taxable purposes and 30% for exempted activities. The machine is utilized for taxable activities with 67% in 2014, 55% in 2015 and it is finally sold in 2016.

Year one
Annual share = E 200,000/5yrs
= E 40,000

Annual advance = Annual share * taxable application
= E 40,000 * 70%
=E28,000

<table>
<thead>
<tr>
<th>Year</th>
<th>Utilization</th>
<th>Annual share (1/5) or 0.2(200k)</th>
<th>Annual Advance</th>
<th>Annual Deduction %</th>
<th>Actual annual Deduction</th>
<th>Annual Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Mixed T/E</td>
<td>40,000</td>
<td>28,000</td>
<td>70</td>
<td>28,000</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>Mixed/TT/E</td>
<td>40,000</td>
<td>28,000</td>
<td>67</td>
<td>26,800</td>
<td>0*</td>
</tr>
<tr>
<td>2015</td>
<td>Mixed T/E</td>
<td>40,000</td>
<td>28,000</td>
<td>55</td>
<td>22,000</td>
<td>(6,000)</td>
</tr>
<tr>
<td>2016</td>
<td>Sale</td>
<td>40,000</td>
<td>28,000</td>
<td>100</td>
<td>40,000</td>
<td>12,000**</td>
</tr>
<tr>
<td>2017</td>
<td>Adjustment continues where obligation to adjust has been transferred</td>
<td>40,000</td>
<td>28,000</td>
<td>100</td>
<td>40,000</td>
<td>12,000**</td>
</tr>
</tbody>
</table>

The taxpayer must make an adjustment of E6,000 in 2015 and is entitled to make an additional deduction (terminal deduction) of input tax for the remaining adjustment period of E24,000.
PART ELEVEN

11.1 Supplies made by or through agents

An agent is someone who acts for, or represents someone else (a principal) in arranging supplies of goods or services. Supplies arranged by an agent are considered to be made by the principal he represents. The principal cannot avoid the liability to account for VAT on his/her supplies. A principal is also obliged to pay VAT on such purchases by using an agent.

To be an agent, one must have agreed with the principal to act on his/her behalf in relation to a particular transaction. This may be a written or oral agreement or merely inferred from the way the agent and the principal conduct their business affairs. Whichever form this relationship takes:

- It must always be clearly established between the agent and the principal that the agent must be able to show to the SRA that he/she is arranging transactions for the principal, rather than trading on his/her own account.
- the agent will not be the owner of any goods that he buys or sells for the principal.
- The agent will not alter the nature or value of any of the supplies made between the principal and third parties.

11.1.1 Accounting for VAT on agency services

An agent will usually be involved in at least two separate supplies at any one time:

- Supplies arranged by the agent but which are made between the principal and a third party.
- The supply of the agent’s services to his principal for which he charges a fee or commission.

It is important to distinguish between these two, i.e. the supply of the services which one, as an agent, is making and the supply which the agent is arranging for his principal.

An agent is not making or receiving the supplies they arrange for their principal. It is the responsibility of the principal to account for output tax on taxable supplies.

The normal VAT rules apply regarding the commission/fee an agent charges their principal for his services and the agent must charge and account for VAT on the services for which he charges such fees or commission to the principal.

11.2 Agents recording transactions in their own name

Agents often issue invoices in their own name (or receive invoices made out to them) for supplies they arrange on behalf of their principals. In these circumstances they may, for VAT purposes be treated as though they and not the principal are the supplier.
11.3 Invoicing for supplies made through a selling agent

The following example illustrates the accounting procedure used when VAT is due on supplies made through a selling agent.

A taxpayer (principal) sells standard rated goods for €1 000 000.00 (plus VAT) to another taxpayer. The seller uses an agent who acts in his own name. The agent takes a commission of 10%.

The seller must issue a tax invoice to the agent, showing:

| Goods | €1 000 000 |
| VAT   | € 150 000 |
| Total | €1 150 000 |

The seller accounts for €150,000 output tax. The agent may reclaim €150,000 as input tax.

The agent must issue a tax invoice to the buyer showing:

| Goods | €1 000 000 |
| VAT   | € 150 000 |
| Total | €1 150 000 |

The agent accounts to SRA for €150,000 output tax. The buyer may reclaim €150,000 as input tax.

The agent must also issue a tax invoice when he makes his charge to the seller, his principal, and his own services showing:

| 10% Commission | €100,000 |
| VAT at 15%     | €15,000  |
| Total          | €115,000 |

The agent accounts to SRA for €15,000 output tax. The seller can reclaim input tax of €15,000.

In this example, the amount of money that passes between the agent and his principal may be only €1 035 000 since the agent might deduct his commission from the amount collected from the buyer, paying the balance to the principal. But the full tax invoicing procedure and VAT accounting requirements must still be followed.

11.4 Invoicing for supplies obtained through a buying agent

The following example illustrates the accounting procedure used for such transactions:

A registered person uses an agent to buy goods for him from another registered person. The amount charged by the seller is €1 000 000 (plus VAT). The agent is registered for VAT and charges €50,000 for his services.

The seller issues a VAT invoice to the agent, showing:

| Goods | €1 000 000 |
| VAT   | € 150 000 |
| Total | €1 150 000 |

The seller accounts to SRA for €150,000 output tax. The agent may reclaim €150,000 input tax. The agent must also issue invoices to his principal, both for the supply of goods and for the supply of his own services. He can either use a separate tax invoice, or he can show both transactions on the same tax invoice. If the same tax invoice is used, then the amount charged for the goods must be shown separately from the amount charged as commission:

| Goods | €1 000 000 |
| VAT   | € 150 000 |
| Fee   | € 50 000  |
| VAT   | € 7,500   |
| Total | €1 207,500 |

The agent should account to SRA for €157,500 output tax, claim €150,000 input tax and remit €7,500 to the SRA. The buyer may reclaim €157,500 as input tax.
11.5 Auctioneers

The rules in this section apply when an auctioneer offers goods for sale as the agent of the seller.

Auctioneers normally charge a "buyer’s premium" payable in addition to the successful bid. The buyer's premium is the consideration for a separate supply of services by the auctioneer to the buyer and it is always taxable.

As an auctioneer, you may be asked to arrange sales of goods in satisfaction of a debt e.g. under a court order. If the debtor is registered for VAT and the goods are part of his business assets, this is a taxable supply and the proceeds of the sale are treated as VAT inclusive and VAT must be accounted for by the seller. The auctioneer must issue a normal tax invoice, but giving the name, address and TIN of the supplier. The auctioneer need not be registered for VAT to do this but the auctioneer must be registered and charge VAT on his auctioneering services (if his taxable turnover exceeds the registration threshold).
PART TWELVE

12.1 Bad debt relief

The general rule is that all VAT registered businesses (except those authorized to use The Cash Method should remit VAT charged on their taxable supplies to SRA when they have raised a tax invoice irrespective of whether payment has been received or not. However, VAT paid to SRA but not received from a bad debtor can, subject to the rules below be claimed back.

12.2 Rules for claiming refund of VAT on bad debts

A taxpayer is allowed to claim a refund of VAT paid to SRA in respect of a taxable supply made by the taxpayer where the whole or part of the payment for the supply is subsequently treated as a bad debt.

The taxpayers must have taken all reasonable steps to the satisfaction of the Commissioner General in pursuing payment from the person to whom the goods or services are supplied.

12.3 How to claim a refund of VAT on bad debts

A supplier who wishes to claim for a refund of VAT on a bad debt must claim a debit amount of VAT remitted in respect of the bad debt by reducing the output tax with the VAT on the bad debt.

12.4 Records to be kept for bad debt relief

VAT registered suppliers claiming refunds of VAT on a bad debt should retain the following documentary evidence, so that SRA can be satisfied that a refund of VAT on a bad debt is correct:

- A copy of the tax invoice issued to the debtor in connection with the supply that later became a bad debt.
- Evidence that the VAT being claimed as a bad debt was remitted to SRA
- Copies of correspondences showing that payment of the bad debt has been pursued
PART THIRTEEN

13. TRANSITIONAL PERIOD

13.1 Claiming of Sales Tax paid prior to the introduction of VAT

Under the provisions of the VAT Act, Sales Tax incurred on stock acquired three months prior to the commencement date of VAT or on capital goods acquired six months prior to the commencement (1st April 2012), may be refunded for VAT purposes if the goods are on hand at the commencement date.

Where, after the 1st April 2012, a person being registered has in stock, plant and machinery and other goods on which Sales Tax was paid prior to registration, that person shall be entitled to claim a credit of the Sales Tax paid on the goods which were purchased within three months before the date of registration and in the case of plant and machinery, within six months before the date of registration.

A registered taxpayer may be required to take a physical inventory of goods eligible for Sales Tax relief and submit a copy of such inventory with the first return claiming the input tax.

13.2 Business contracts spanning over the Sales Tax and VAT period

Any contract entered into before commencement of VAT, implying either that the current tax on consumption does not tax the goods or services to be provided or the fact that the supplier is not registered under the Act at the time of the supply, such contracts will be amended to include VAT.
PART FOURTEEN

14.1 Appeals and requests for review

If you disagree with a decision or determination made by an officer of the SRA in relation to VAT you may object to the Commissioner General. If you are not satisfied with an objection decision you may appeal to the Tax Tribunal. However, the Tax Tribunal may not have yet (February 2012) been constituted.

14.2 SRA internal review prior to appeal to the Tax Tribunal

Taxpayers may object to the Commissioner General on any VAT decision or assessment made by any SRA officer, before lodging an appeal with the Tax Tribunal. The thirty (30) day time limit for lodging an appeal with the Tribunal will not be affected by asking the Commissioner General to review the decision or assessment. The time limit will commence from the date of the Commissioner General’s written response. Requests for internal reviews may be submitted in writing to:

The Commissioner General
Eswatini Revenue Authority
P.O. Box 5628
Mbabane

14.2.1 Appealable Matters

The Tax Tribunal may make decisions regarding affirming, reducing, increasing or varying a VAT assessment or remitting an assessment back to the Commissioner General.

14.2.2 Appeal Conditions

An appeal shall be lodged with the Tribunal within thirty (30) days from the date of the decision or determination of the Commissioner General.
### ANNEXURE 1

#### VALUE ADDED TAX (VAT) RETURN

**DETAILS OF TAXABLE PERSON AND TAX PERIOD**

- **Tax period covered**
- **From**
- **To**
- **Name of Taxpayer**
- **Telephone number**
- **TIN**
- **Cellphone number**
- **Email address**

**NOTE:** If your registration details have changed since registration or the last return, attach a letter describing the changes.

**A. CALCULATION OF OUTPUT TAX (Sales etc.)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Excluding VAT)</th>
<th>Applicable Rate</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Exempt supplies</td>
<td>E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Zero-rated exports</td>
<td>E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Zero-rated supplies (excl. exports)</td>
<td>E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Standard-rated supplies</td>
<td>E</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Applicable Rate</strong></td>
<td><strong>15%</strong></td>
<td></td>
<td><strong>E 0.00</strong></td>
</tr>
<tr>
<td><strong>Output tax</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**B. CALCULATION OF INPUT TAX (Purchases etc.)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (Excluding VAT)</th>
<th>Applicable Rate</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Exempt supplies received (including imports)</td>
<td>E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Zero-rated supplies received</td>
<td>E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Supplies from unregistered businesses</td>
<td>E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Standard-rated domestic supplies received</td>
<td>E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Standard-rated imports (on which VAT has been paid or deferred)</td>
<td>E</td>
<td>15%</td>
<td>E 0.00</td>
</tr>
<tr>
<td><strong>Applicable Rate</strong></td>
<td><strong>15%</strong></td>
<td><strong>E 0.00</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Input tax</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**C. VAT PAYABLE/REFUNDABLE**

- **Output tax - Input Tax**

Would you prefer your VAT refund, if any, to be carried forward to set off future liability?  

- Yes ☐  
- No ☐

**D. Certified to the best of my knowledge as true, correct and complete**

- **Full name**
- **Designation**
- **Signature**
- **Date**

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*Version 1 - 2018*
ANNEXURE 2

FIRST SCHEDULE

a) The supply of postage stamps;
b) The supply of financial services;
c) The supply of insurance services;
d) The supply of land and buildings except for land and buildings used for commercial and industrial purposes;
i) A supply by way of lease or letting of immovable property, other than a -;
   lease or letting of commercial premises;
ii) lease or letting of hotel or holiday accommodation;
iii) lease or letting of residential accommodation for periods not exceeding 45 days; or,;
iv) lease or letting of space for parking or storing cars or other vehicles;
e) The supply of education services;
f) The supply of medical, dental, and nursing services;
g) The supply of social welfare services;
h) The supply of betting, lotteries, games of chance or casino gambling services;
i) The supply of goods as part of the transfer of a business as a going concern by one taxable person to
   another taxable person;
j) The supply of burial and cremation services;
k) The supply of precious metals and other valuables to the Central Bank of Eswatini for the Treasury of
   the Government of Eswatini;
l) The supply of passenger transportation services, other than services provided by registered tour
   operators;
m) The supply of tap water and sewage;
n) The supply of services and of goods closely linked to welfare and social security work, including those
   supplied by old people's homes, by bodies governed by public law or by other bodies recognized as
   being devoted to social wellbeing;
o) The supply by an amateur sporting organization of sporting activities, where such activities are deemed
   for purposes of the Act to be non-professional;
p) The supply of nonprofit making cultural activities and services;
q) The supply of goods and services in a charity arrangement.;
r) The supply of electricity.
ANNEXURE 3

SECOND SCHEDULE

The following supplies are specified for the purposes of section 24(4) -

a) The supply of goods or services where the goods or services are exported from Eswatini as part of the supply;

b) The supply of international transport of goods or passengers or goods or services in connection with the international transport of goods or passengers;

c) Maize meal (Tariff Heading 1102.20), where it is graded as super maize meal, special maize meal, sifted maize meal or un-sifted maize meal;

d) Maize (Tariff Heading 1005.00), where it is dried maize or dried seed of the plants zea mays indurate and zea mays inderata or any one or more crossings thereof of a mixture of the dried seed of such plants, but excluding pop-corn (zea mays everta) or green mealies for human consumption;

e) Beans (Tariff Heading 0713.00), provided that they are dried, whole split, or crushed, but not further prepared or processed, or where packaged as seed;

f) Agricultural input, viz. fertilizers (chapter 31) seeds, seedlings, excluding flower seeds, and pesticides (3808.00) zero rated; where fertilizers constitutes goods 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; where pesticides consists of 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 -
   o in the destruction, control, repelling, attraction, disturbance or prevention of any undesired microbe, alga, bacterium, nematode, fungus, insect, plant, vertebrate or invertebrate; or;
   o as a plant growth regulator, defoliant, desiccant, adjuvant or legume inoculants, and anything else which the Minister of Agriculture has by notice in the Gazette declared to be a pesticide;
   o where seeds or seedlings are in form used for cultivation.

g) Paraffin (Tariff Heading 2710.11) intended for cooking, illuminating and heating is zero rated provided it is not mixed or blended with any other substance for any purpose other than cooking, illuminating or heating;

h) The supply of diary products, being milk of all kinds; fermented milk, emasi, buttermilk, fresh or UHT cream or sour cream; yorghut, sip, buttermilk powder; condensed milk, powdered milk and milk substitutes (e.g. cremora etc); baby milk formulas, dessert, ice cream and other edible ice, mixtures and dairy blends; butter and margarine; whey cheese (cheddar, gouda or other) and curd; honey (natural or artificial) and animal products of animal origin not elsewhere specified or included in the Tariff Book.

i) Brown bread (tariff Heading 1905.10). For purposes of interpretation only brown bread made from brown wheaten meal and water that has been fermented by yeast and which has been baked in the standard form shall be zero rated;

j) Animal feeds (Tariff heading 2308.00) provided that they are goods which consist of any substance obtained by a process of crushing, gritting or grinding, or by addition to any substance or the removal there from any ingredient; or any condimental food, vitamin or mineral substance which possesses or is alleged to possess nutrive properties; or any bone product; or any maize product;

k) Samp (tariff heading 1005.90) not further prepared orprocessed;

l) Fresh fruit and vegetables (tariff headings 0701.10 – 0709.90 & 0801.11 – 0810.90) 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. 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;

m) Fresh eggs (tariff heading 0407.00) being raw eggs laid by hens of the species 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;

n) Rice (tariff heading 1006.20) whether husked, milled, polished, glazed, parboiled or broken;

o) Vegetable oil except olive oil (tariff heading 1512.11 – 1512.21, marketed and supplied for use in the process of cooking food;
ANNEXURE 3 (Contd)

p) Medicines and drugs supplied -
   o for use in a qualified medical facility;
   o to the Government Medical Stores; or
   o to an individual, subject to submission by that individual, of a prescription issued by a registered medical practitioner within sixty (60) days prior to the supply and in such quantities as prescribed by the registered medical practitioner.

q) The supply of school text books; and

r) The supply of petrol, diesel and liquid gas.