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GUIDELINE ON DONOR FUNDED PROJECTS

1. Introduction

The Guideline aims to give guidance on the requirements to be satisfied in order to be eligible for an exemption in terms of the VAT Act No.12 of 2011 (*herein after referred to as the Act*); for donor funded projects.

2. Relevant Legislation:

- Section 83 (1) and (2) read together with Regulation 22 of the Act.

3. Which agreements qualify for VAT exemptions?

To qualify for an exemption the above agreement must be:

- between the Government of Swaziland and a foreign Government; or
- a result of a treaty to which Swaziland is a party
- between Swaziland and a Public International Organization

4. Who should sign on behalf of the Swaziland government?

- Where an agreement is between the Government of Swaziland and a Foreign Government or an international organization the agreement should be co-signed by the relevant Minister and the **Minister of Finance**, in his capacity as the custodian of revenue in the country.

- Financing agreement of that particular project;

- A treaty to which Swaziland is a Signatory and/or

- Any secondary document arising from the treaty pertaining to a particular project signed on behalf of the Swaziland Government.

5. Which documents must accompany a VAT exemption application?

- Government to government agreements
 - The agreement between Swaziland and a foreign government and/or;
- Agreements with Public International Organizations
 - Grant contract award and;
 - Financing Agreement and/or

GUIDELINE ON DONOR FUNDED PROJECTS

- Framework agreement

project prior to the purchase or procurement of goods or services and not by the supplier or contractor.

- In such a case the supplier may be authorized by the SRA to supply the goods at zero per cent VAT, and invoices issued by the supplier for such goods must refer to the funded project title, and project number.

6. Does the exemption extend to sub-contractors of the beneficiary?

- The exemption is granted to the donor funded project.
- It does not extend to suppliers and sub-contractors of the project.
- Suppliers or Subcontractors are expected to charge VAT except where they are authorized by SRA to issue a zero-rated tax invoice.

- For goods or services of a high value authorization allowing the supplier of the goods or services to issue a zero-rated invoice must be sought by the donor funded

issue zero rated invoices

- By way of a refund to the donor funded project upon submission of original tax invoices which must be attached to the refund form titled

- "VAT REFUND F OR DIPLOMATS, DIPLOMATIC AND CONSULAR MISSIONS AND INTERNATIONAL ORGANIZATIONS" available on the SRA website (www.sra.org.sz).

7. How will the exemption operate?

- The exemption shall operate as follows :
 - By means of zero rated invoices where the supplier to the donor funded project has obtained approval from the SRA to

8. What are the documents necessary for processing the exemption?

- Value Added Tax invoice with the words "tax invoice" written prominently referring to a specified aid funded contract and shall include;

GUIDELINE ON DONOR FUNDED PROJECTS

- Contract Name;
- Contract Number;
- Project Number and
- The project under which the contract is financed.
- SRA Completed refund form;
- Exemption Approval letter

SRA Customs for endorsement of same to enable clearance of the goods under rebate Customs duty & VAT exemption.

- The exemption approval letter must be submitted to SRA customs at the port of entry by the project to enable clearance of the goods under VAT exemption.
- An application for exemption must be submitted each time goods are being imported.

9. What does the exemption mean for goods imported from outside SACU?

- Where the goods are procured from outside SACU the applicant has to approach the International Trade Department of the Ministry of Commerce, Industry and Trade (ITD-MCIT) for a rebate certificate for purposes of waving Customs Duty liability, VAT will be exempted as well once a rebate certificate has been issued.
- In the event the rebate certificate has been issued the applicant will approach

- Where goods are being imported /sourced from a SACU Member State (e.g. Republic of South Africa) or where no customs duty is payable importation of such goods may be exempted from VAT in terms of Section 83 of the VAT Act 2011.

12.Exclusions

- The exemption does not extend to:
 - PAYE; and
 - Withholding tax.
 - Loan agreements entered into by the Government of Swaziland with a foreign Government or body for purposes of sourcing funds.
 - Goods imported by anyone other than the project.

11.How to apply for an exemption when importing?

- The application for exemption has to be submitted to the SRA prior to importation of the goods by the project.