

Value Added Tax

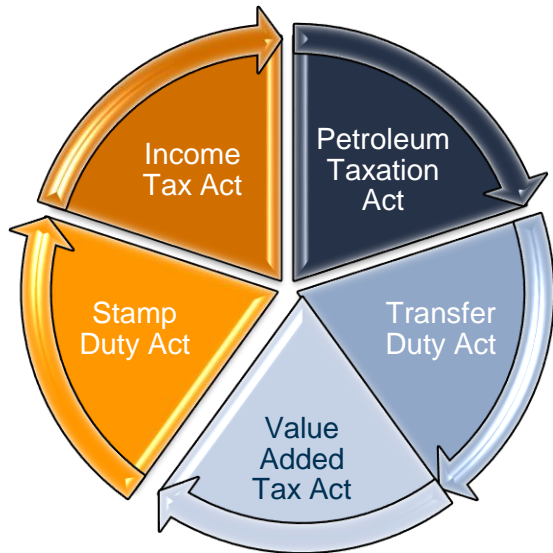
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The Department of Domestic Taxes is mandated

- Administer and enforce various laws in an efficient and effective manner to maximize State Revenue through domestic revenue mobilization.



What is Value Added Tax (VAT)?



A tax on consumption (spending)

VAT is an indirect tax

Applied on the value added to goods and services

A multi-stage tax - Collected at each stage of production, importation and distribution chain

To charge or claim VAT, a person must be registered for VAT

What is Value Added Tax (VAT)?



If you are not registered for VAT, you may not charge VAT

But you still pay VAT when buying goods or services

Standard rate at 15% on most supplies

Paid on difference between output tax (income) and input tax (expenses)



Who should register?

Compulsory Registration

1. If total annual taxable supplies exceeds or is likely to exceed N\$500,000 for a 12 month period

Voluntary Registration

1. Annual taxable supplies does not exceed N\$500,000.
2. However, taxable supplies exceeds N\$200,000 in a 12-month period, provided that:
 - Has a fixed place of business
 - Maintains proper record keeping
 - Submits reliable returns

Types of Supplies

1. Taxable supplies

A sale of good or supply of a service that attracts VAT

Any supply of goods or services in the course or furtherance of a taxable activity.

A taxable activity means any activity that is carried on continuously or regularly in Namibia that involves the supply of goods or services for consideration

Consist of Zero rated (Schedule III, Section 9) & Standard rated (15%)

Supplier is entitled to claim input tax on expenditure incurred to provide taxable supply

2. Non taxable supplies (Exempt supplies)

- As per Schedule IV, read with Section 10
- Do not attract VAT
- No VAT charged on output, hence no VAT claimed in respect of input tax
- Must not even register for VAT
- Unless they have both exempt and taxable supplies (apply “Apportionment”)
- Examples: Financial, educational, public transport services, fringe benefits to employees..

Types of supplies cont..

NB: Other supplies that **do not attract VAT:**

- Private individual
- Supplies of goods and services by a registered person not intended for the furtherance of taxable activity
- Supplies that are deemed not to be supplies for VAT (salaries, payment of grant, bursary, **denied input tax**)

Denial of input tax deduction

→ Section 19 - TP **may not** claim the following

1. Entertainment:

- Inclusive of food, beverages, tobacco, accommodation, amusement, recreation, or any hospitality.
- Except - for tour operators (50% of activities as tour operator), part of transport services, and entertainment businesses.

2. Sport, Social & Recreational Club Subscriptions

Denial of input tax deduction

3. Passenger Vehicles:

- No deduction allowed, regardless of business use.
- Exceptions for dealers, tour operators (activity mainly tourism), rental companies, short-term insurers (using insurance car), and charitable organizations.
- Passenger vehicle defined as:
 - Transport of 9 or fewer seated persons, includes a double cab,
 - Excludes an ambulance or a single cab bakkie (delivery vehicle or club cab),
Supply of the vehicle includes the rental of the vehicle.
 - Input deduction allowed for repairs, maintenance, and insurance of passenger vehicles.



Time of Supply



When is a supply of goods or services made?

- At the time an invoice is issued

OR

- The time a payment is made, whichever is the earliest.

Tax Period, Return, Due Date



Tax Period

1. Only taxable activities is **farming activities** – Tax period 2, 4, 6, or 12
2. Farming and other activities – 2 month interval

Tax Return

1. Category A: Periods falling in January, March, May, July, Sep, Nov.. e.g 2023/03, 2023/05
2. Category B: Periods falling in February, April, June, Aug, Oct, Dec.. e.g 2023/04, 2023/06

Due date

- - VAT due on or before the **25th day** of the month following the end of the VAT period (Return + Payment)

Example: 2023/03 = 25 April 2023
 2023/06 = 25 July 2023

- Goods imported on an import VAT account = On or before 20th day of the month following the month of import

Prescribed details required:

- The word “tax invoice”
- Name, Address, VAT number of Supplier + Recipient
- Description of goods or services
- Quantity
- The exclusive, inclusive and VAT amount

How to calculate VAT

Output tax (Income) – VAT charged by a registered person on sale of goods & services

Input tax (Expenses) – VAT paid by a registered person on the importation or purchasing of goods & services

NB: A registered person will file VAT returns and pay VAT on the difference between their output tax and input tax

Formula:

Tax Payable = Total amount of output tax less total amount of input tax

How to calculate VAT

- **Tax Amount** = Exclusive Amount * 15%

Example 1:

	Exclusive	VAT Amount
■ Output tax (VAT charged on sales)	N\$ 10 000	N\$ 1 500.00
■ Input tax (VAT paid on Purchases)	N\$ 4 000.00	N\$ 600.00
■ = VAT Payable		N\$ 900.00

How to calculate VAT

- **Tax Amount** = Inclusive Amount * 15/115 (VAT fraction)

Example 2: Amount

	Inclusive	VAT
■ Output tax (VAT charged on sales)	N\$ 6 900.00	N\$ 900.00
■ Input tax (VAT paid on Purchases)	N\$16 100.00	N\$ 2,100.00
■ = VAT Refundable		(N\$1,200.00)

Example: How to calculate VAT

ABC (Pty) Ltd, a VAT-registered company, engages in the supply of furniture. Below are their transactions during the period of January and February 2020.

	Exclusive	VAT	Inclusive
Sales (Exempt)	500	-	500
Sales (Zero-rated)	5,000	0	5,000
Sales (Standard rated)	50,000	7500	57,500
Disposal of Machine	10,000	1,500	11,500
OUTPUT TAX		9,000	
Purchases (Standard Rated)	20,000	3,000	23,000
Acquisition of Capital good	15,000	2,250	17,250
INPUT TAX		5,250	
VAT due (VAT Payable)		3,750	

Completing VAT Return

NB! Below is an illustration of how a return needs to be completed

VAT 2 RETURN FOR VALUE ADDED TAX 6-0/0290

ABC (Pty) Ltd 01234567 TAX PERIOD 2020 02

VAT DECLARED (Outputs)	Tax Categories (Namibian Dollars only - ignore cents)			Total Output Tax Due	
	Exempt NS	Zero-rated NS	10% NS	NS	=
Sales Figures (including VAT)					
Trading: Sales/fees, etc. 8	500	5,000	50,000	7,500	00
Capital goods sold 9			10,000	1,500	00
Output adjustments 10					
TOTALS 11	500	5,000	60,000	9,000	00

12 (To
Schedule 2)

VAT CLAIMED (Inputs)	Tax Categories (Namibian Dollars only - ignore cents)			Total Input Tax Claimed	
	Exempt NS	Zero-rated NS	10% NS	NS	=
Purchase Figures (excluding VAT)					
Local Purchases 13			20,000	3,000	00
Capital goods purchased locally 14			15,000	2,250	00
Imported purchases 15					
Imported capital goods 16					
Input adjustments 17					
TOTALS 18			35,000	5,250	00

19 (To
Schedule 10)

Objections

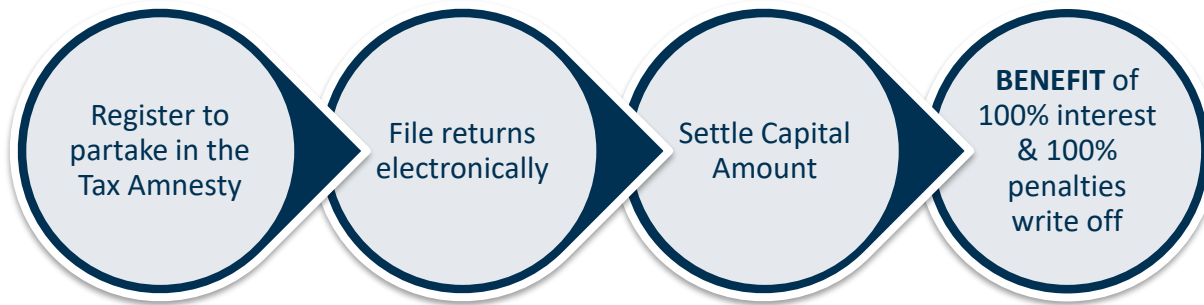
- Section 27 of the VAT Act
- If dissatisfied, object within 90 days, after issue of notice of assessment
- Specifying in detail the grounds

Appeals

- Section 27 of the VAT Act
- If dissatisfied with objection, appeal within 60 days after served with a notice of objection.

Tax Amnesty

Tax relief benefits taxpayers with **outstanding tax arrears**, who file returns on **ITAS**



THE END



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“By playing your part, you are positively impacting the Namibian Nation.”

Thank You!

Any Questions?