

Key to your future



CAA

**CHARTERED
ACCOUNTANTS
ACADEMY**

**NATIONAL LEADER IN TRAINING
CHARTERED ACCOUNTANTS**



LEARNING OUTCOMES

- 1. Determining whether or not VAT should be levied in a transaction – s6
- 2. Classifying supplies for VAT – s10 and s11
- 3. Time of Supply – s8
- 4. Value of Supply – s9
- 5. Deemed Supplies – s7
- 6. Calculation of VAT – s15

1. Determining whether or not VAT should be levied in a transaction – s6

- A. Supply of good or services *section 6(1)(a)*.
 - supply, by Registered operator, of goods or
 - services, on or after fixed date,
 - in furtherance of trade
- B. Imported goods *section 6(1)(b) a.r.w. s 12.*
- C. Imported Services *section 6(1)(c)*.
- D. Sale of goods at Auction. *Section 6(1)(d)*.

Second hand Motor Vehicle Exclusion

- Vat shall not be levied on second hand motor vehicles *per section 6*.
- Which 2nd Hand Motor Vehicles?
 - Those that are subject to special excise duty on sales or disposals.
 - refer to section 172B of the Customs and Excise Act [Chapter 23:02]

A. Supply of good or services *section 6(1)(a)*.

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A. Supply of good or services *section 6(1)(a)*.

What is Trade?

The definition in the VAT Act is a long one. This is a very important definition as it scopes in or out a lot of supplies for VAT purposes.

A. Supply of good or services *section 6(1)(a)*.

A FEW KEY ISSUES ABOUT THE DEFINITION OF TRADE

INCLUDES:

1. **Continuous or regular** carrying out of the activity; and
2. Person carrying out the trade must be carrying it out in Zimbabwe or partly in Zimbabwe; and
3. For a **consideration**
4. **Whether or not for profit**

EXCLUDES:

- **Hobbies**
- **Employment**
- Supplies to an **independent branch outside Zimbabwe**. Accounting system must be separate.
- **Exempt supplies**

B. Imported goods *section 6(1)(b) a.r.w. section 12*

- For consumption in Zimbabwe
- Import VAT to the extent that they are not exempt supplies.
- Tax Rate X Value for tax purposes = Import VAT
- Value for Tax Purposes = Value for duty purposes + duty excluding **Surtax**
- Value for duty purposes = CIF
- Time of supply date deemed in terms of section 36 of the Customs Act.

C. Imported Services *section 6(1)(c) a.r.w.* *section 13*

- The supplier must be a foreigner.
- The recipient of the supplies must be a resident.
- The supply must be taxable and not zero rated. *S13(5)(b)*
- The supply must be for making non-taxable supplies.
- VOS – greater of OMV or the invoice value of the service.
- VAT is accountable and payable by the recipient of the services within 30 days of Time of Supply.
- TOS is earlier of invoice date (recipient or supplier) or date payment is made by recipient whichever is earlier.

WHO CHARGES AND ACCOUNTS VAT ? [Section 6 \(2\)](#)

- S(6)(1)(a) Supplier of the goods or service *s6(2)(a)*
- S(6)(1)(b) Imported goods by person importing *s6(2)(b)*
- S6(1)(c) Imported service by recipient of service *s6(2)(c)*
- S6(1)(d) Goods sold at auction by the auctioneer *s6(2)(d)*

2. Classifying supplies for VAT – *s10 and s11 a.r.w. s78 on Regulations*

- Taxable Supplies
 - Zero Rated supplies
 - Standard Rated supplies
- Non-Taxable Supplies
 - Exempt

2. Classifying supplies for VAT – *s10 and s11* *a.r.w. s78 on Regulations*

Zero rated supplies – section 10 (0% Vat)

- They are taxable supplies.
- No empirical rule to determine them but generally this concession of zero rating is on supplies likely to stimulate economic growth such as:
 - Exports and a number of transactions to do with export countries;
 - Supplies on temporary imports;
 - Supply of Business as a going concern;
 - Specified Drugs;
 - Supply of gold to specified institutions;
 - Supply of agricultural inputs to farmers
 - Common bricks
 - **Basic commodities**

2. Classifying supplies for VAT – *s10 and s11* *a.r.w. s78 on Regulations*

- Exempt Supplies Section 11
- Not subject to VAT. They are excluded from the definition of **trade**;
- The suppliers do not register for VAT;
- Examples:
- Financial Services;
- Educational Services;
- Transport for fare paying passengers;
- Supplies by an association not for gain of goods;
- Medical services;
- Supply of goods and services by an employee organisation to its members to the extent that consideration of supply is limited to membership contributions;
- Supply of fuel and fuel products
- Supply of residential accommodation in a dwelling under a lease or hire agreement.

3. TIME OF SUPPLY *Section 8*

- Time of supply rules determine when a Taxpayer should account for any output tax applicable for a taxable supply.
- Generally – the earlier of an invoice being issued or payment being made. *Section 8(1)*
- Supplies to connected persons. *Section 8(2)*
- Instalment Credit Arrangements. *Section 8(3)*
- Rental Agreements. *Section 8(3)*
- Goods supplied successively or progressively *Section 8(3)*
- Betting
- Fixed Property transactions.
- Goods whose consideration is not determined at the time of appropriation *section 8(4)*
- Repossessed goods *section 8(8)*

4. VALUE OF SUPPLY (*Section 9*)

- Value of supply
- Where the consideration is in money, the value is the consideration less VAT *section 9(2)*
- Defining consideration *section 9(3)*
- Where the consideration is not in money, the OMV becomes the consideration *section 9(3)*
- Supply by connected persons for no consideration or consideration less than open market value *section 9(4)*
- Deemed supplies at cessation of trade or transfer of goods to independent branches *section 9(5)*
- Goods supplied under instalment credit arrangement *section 9(6)*
- Deemed supplies – Adjustments *section 9(7) a.r.w. s17*

5. DEEMED SUPPLIES (*Section 7*)

- Sale in execution of debt; (VOS and TOS)
- Cessation of trade by a registered operator;
- Door to door sales with an option to return; goods;
- Lay bye agreement of consideration not less than \$25;
- Supply of a business as a going concern;
- Indemnity payment under an insurance;
- Transfer of goods to independent branches;
- Goods repossessed;
- Betting services

5. DEEMED SUPPLIES *section 7*

- For special supplies both the TOS and VOS are varied:
- Goods supplied under rental agreements
- Instalment credit agreements
- Sales to connected persons
- Goods applied to own use

6 Calculation of VAT *section 15*

- *Section 15(1)* Guides calculation of VAT for a registered operator. S23 on registration refers.
- *Section 15(2)* provides guidance on when input tax is deductible
- *Section 15(3)* permits the deduction of input tax, tax fraction on indemnity payments made, prize winnings, bets, amounts calculated in certain adjustments, adjustments for properties in possessions, fiscalised electronic registers.
- *Section 15(4) guides timing of deductions*
- *Section 15(5) Attribution of a supply to a tax period*

VAT FORMULA

- Total Output VAT xxx
- Less: Total Input VAT (xxx)
- VAT Payable/Refundable XXXX

PRACTICE

Discuss the Time of Supply and Value of Supply of :

- Cessation of trade
- Lay bye agreement
- Instalment credit arrangement
- Door to door sales with an option to return the goods.

7. INPUT TAX (Section 16)

- **Section 16(1)**
- Generally claimed on all goods/services, provided:
- They are utilised in the production of taxable supplies.
- Mixed supplies – apportion using acceptable basis such as turnover basis.
- What is the de minimus rule?
- **Section 16(2)**
- Prohibited deductions
- Entertainment
- Purchase of PMVs
- Subscriptions fees to clubs or associations of a recreational nature.

MIXED SUPPLY EXAMPLES – INPUT TAX

- Block of flats used for both residential and commercial.
- Entity operating hospital, pharmacy and shops.
- Transport company operating buses ferrying fare paying passengers and buses for hire.
- Car manufacturer selling cars and offering mortgage financing for the inventory.

QUESTIONS ?

PRACTICE QUESTIONS

- Study Unit L Practice question

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