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VAT

LEARNING OUTCOMES

- To understand the different adjustments that may need to be made to VAT.
- To appreciate the administrative aspects of VAT.

VAT FORMULA - recap

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

ADJUSTMENTS (Section17)

- Change of use may cause adjustment to the initial assessment and Tax computed and or paid.
- The change is in usage from taxable supplies to non-taxable supplies or vice versa.
- S17(1) – **Goods** subsequently used to make non-taxable supplies. Output VAT adjustment is done. VOS is the OMV. No adj where original input tax was denied.
- S17(2) – Reduction in taxable use of **capital goods** (deemed supply). Not necessary if cost of the goods was less than 60 and if input tax was originally denied. VOS is the lesser of OMV or cost. TOS is the 31st of December of the year of assessment.
- S17(3) – **Fringe Benefits** – deemed supply for which output tax should be calculated. VOS is the value determined for PAYE purposes. This subsection is inapplicable if:
 - supplies are exempt s11
 - supplies are zero rated s10
 - supply of entertainment.
 - benefit granted by registered operators who are in the business of making exempt supplies.
 - excludes monetary benefits because money are not goods.

ADJUSTMENTS S17(4)

- **Goods acquired prior to fixed date. (subsection a)**
 - Input Tax Adjustment
 - Apply tax fraction to Lesser of cost or OMV
- **Goods acquired after fixed date. (subsection b)**
 - Input Tax Adjustment
 - Apply tax fraction to Lesser of cost or OMV
- **Fixed Property Transactions (subsection c)**
 - seller is registered operator –**
 - charge VAT on both residential and commercial properties
 - commercial property used to make both taxable and non taxable supplies and was allowed part of the input tax then acc for output tax on the sale and an adjustment is allowed for input tax not previously claimed.
 - If sale is by way of instalments then acc for output when pmt is received

ADJUSTMENTS Continued 17(4)

- **Seller is a non-registered operator**
 - No VAT is chargeable.
 - If acquirer is registered then notional input tax only where stamp duty is paid or payable and restricted to that stamp duty

INCREASE IN USE OF CAPITAL GOODS (Section 17(5))

- Timing – It is done at the end of the year of the operator's **financial year**
- Tax fraction applied to the lesser of cost or OMV

SALE OF BUSINESS AS A GOING CONCERN

- Criteria for identifying a going concern
- Sale is zero rated
- Deminimus rule applies
- Adjustments to post sale transactions may then create output tax adjustments.
- Calculation of adjustments involves determining items that did not qualify for input tax deduction first. The proportion of use for taxable vs non-taxable is also then applied.
- Where the two parties are connected persons then deeming provisions are invoked to apply the OMV if consideration is below the market price.

VAT

- Pre-incorporation expenses – s19
- Irrecoverable debts – s22
- VAT Registration – s23
 - Liability for registration
 - Voluntary registration
 - Registration procedure
 - Deregistration
- Tax Periods S27
 - Categories (A-D)
 - Submissions of returns and payments
- Tax Invoices s20
 - Requirements in issuing
 - Details on the face of the tax invoice
- Agents and auctioneers s56

OBJECTIONS AND APPEAL

- Timing
- Lodging an objection
- Grounds of an objection
- Late Objections
- Appeals

QUESTIONS ?

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