

## **LET'S CHIZZLE THE TRAINING LEVY! Part 1 By Jonathan Hore**

Did you do Wood-work at school? If not, you probably don't know how a chizzle looks like. Well, I did it and I am just going to show off as I chizzle the training levy for you. By the time you finish reading this article, you will have an idea of how the chizzle works. But if you know it, you will appreciate more how I probably was good in my wood-work marks at school. Watch me do my thing and don't throw stones at me, I am not bragging; just trying to make this technical subject more interesting!

Well, the training levy is a tax that is paid by VAT registrants who also happen to be employers on the value of their taxable supplies. The levy was introduced in 2008 through the Vocational Training Levy Order 2008. However, the tax is not paid by every VAT-registrant but by those who would have exceeded P1m in taxable supplies. So, the tax is linked to VAT but it actually is not a BURS tax. It in fact is passed over to the Minister responsible for Labour, specifically to the Human Resources Development Council (HRDC). But of course, yes, it is collected by BURS. I am sure I have used enough of technical language so far and before I make any assumptions, let me expand on the key concepts.

### **WHAT ARE TAXABLE SUPPLIES?**

Taxable supplies are sales made by a business which are either taxed at the standard rate of 12% (standard-rated) or at 0% (zero-rated). Most goods and services which are not exempt from VAT or subject to VAT at 0% are chargeable to VAT at 12%. The list of standard-rated supplies is endless and it includes the following: tax services, legal services, sale of cars, the sale of clothes and the sale of the newspaper you are reading right now. So, let's note that if you exclusively make standard-rated supplies, you pay the training tax as well.

So, we have established what standard-rated supplies are. Now, the next assignment is to analyse what zero-rated supplies are. Well, these are supplies on which VAT is levied at 0% and they include the sale of milk, vegetables, samp, brown bread and sorghum (all in their raw state). If margarine falls on brown bread, the brown bread becomes taxable! But a major source of zero-rated supplies are exports. This also means that a person who exclusively offers zero-rated supplies also pays the training tax. But hold on, what about one who offers sales taxable at both 12% and 0%? Well, that business pays training levy on both such supplies as they are both taxable.

### **WHAT IS THE RATE OF TRAINING LEVY?**

Training levy is payable at basically 2 rates, being 0.2% on turnover not exceeding P2bn per annum. Any excess above that would be subject to the tax at 0.05%. One thing I must state is that BURS takes it upon itself to monitor VAT-registrants' taxable supplies by sending them written notifications and then adjusting their VAT return to reflect the training tax portion. I am not so sure why this is the case but I guess the taxman will be trying to simply the training tax for the taxpayers. But what if BURS forgets or notifies the taxpayer late? Won't HRDC lose out then? Yes of course, HRDC will lose on tax. My take on this is that all VAT registrants should get a training levy guide at registration so that they do voluntary compliance. Or maybe a guide on their website? This will eliminate human intervention, which is always not waterproof.

### **SO WHAT ABOUT A MIXED SUPPLIER?**

A mixed supplier is a VAT-registrant who offers both taxable (12% and or 0%) as well as exempt supplies. Exempt supplies are those on which VAT is not chargeable at all. Examples of such include residential accommodation, educational services and financial services. So, a

person who exclusively offers exempt supplies does not have to register for VAT and neither will they be required to pay the training tax. But the mixed supplier pays the training tax only on the portion of their taxable supplies. Again, exempt supplies are excluded.

### **HOW IS THE TAX PAID?**

The tax is paid at the same time that a VAT return is submitted to BURS. Technically, the training tax is due by the 25<sup>th</sup> day following the end of one's tax period. If one files VAT returns on a monthly basis, then their training levy for October 2017 will be due by 25 November 2017. According to BURS, where one has a VAT refund and training tax payable, the two should not be set-off against each other. Well, this is simply for administrative reasons as VAT belongs to BURS whilst training levy goes to the HRDC. I hope I didn't disappoint in my chizzling. If I did, then I will repay in next week's instalment.

Hoping that was insightful folks. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him.