

WHO CAN REGISTER FOR VAT? By Jonathan Hore

You may well know that almost any trader used to be able to go to BURS and register for VAT even before they started trading. Well, that was the case back then but things have since changed. The VAT Act was amended with effective from 23 January 2015 to set new VAT-registration thresholds. I thought I could write about who can register for VAT, under the current legal framework. In this article, words importing the masculine shall be deemed to include the feminine.

ARE YOU CARRYING ON A TAXABLE ACTIVITY?

The first question to ask yourself is whether you are conducting a taxable activity in Botswana or partly in Botswana, either regularly or continuously. Well, I know that I have said a mouthful in the above statement and I will try to expand on what exactly that technical jargon means. A taxable activity is any venture or trade which is chargeable to VAT at the standard-rate of 12% or at 0%. Most trades or businesses are taxable at 12% such as the supply of tax services, TVs, legal services and cars.

A few ventures are subject to VAT at the rate of 0%, commonly referred to as zero-rated supplies. A common example is the exportation of goods. This means that if a Botswana entity exports goods to Zimbabwe, then such a supply would be zero-rated. Other zero-rated supplies include the sale of raw fruits, unprocessed vegetables, milk and maize meal for human consumption.

I must be quick to mention that there are certain businesses which are regarded as exempt from VAT and those who exclusively or solely conduct such businesses can never be registered for VAT. These include the following:

- The provision of residential accommodation such as multi-residential accommodation;
- Businesses which only earn interest income;
- Local transportation of passengers by road and rail such as services provided by operators of taxis, combis and buses; and
- Educational services such as degree programmes offered by UB, IDM etc.

Should it happen that you exclusively offer these services and you are registered for VAT, then get deregistered today!

So, if your business qualifies as a taxable activity, i.e. chargeable to VAT at 12% or 0%, then you are one step towards qualifying for VAT registration. The next question should then be whether this taxable activity is conducted continuously or regularly in Botswana. If so, then you are even closer to qualifying.

HAVE YOU REACHED P500 000?

The VAT Act was amended such that voluntary registration can only be processed once a person reaches P 500 000 in turnover in a 12month period. Previously, VAT registration was not based on turnover but because most of the businesses would register and not comply with VAT filing and payments, the P 500 000 threshold was put in place so BURS could only deal with 'quality' taxpayers. So, BURS wants you to prove that you have actually sold taxable goods or services worth at least P 500 000 or they won't consider your application. You may however apply for voluntary registration if you have won a significant contract/tender whose value is at least P 500 000. The tender or contract would act as proof that you will indeed reach that threshold. However, BURS is not obliged to consider the

tender/contract as the VAT Act requires that any person who applies for voluntary registration should have 'exceeded' P 500 000.

WHAT ABOUT THE P1M LIMIT?

A person is compelled to register for VAT upon reaching P1m in taxable turnover in a period of 12 months. In other words, that person has no choice but to approach BURS within 21 days of attaining that P1m threshold and making a submission for registration. The other instance where persons are required to compulsorily register is when they have a 'reasonable expectation' to exceed P1m in a 12 month period. What this means is that if someone has a steady trading which yields over P 200 000 per month, they do not have to wait for their turnover to exceed P1m as there is a reasonable expectation to exceed P1m in a 12 month period. In such cases, such person can be registered even after 3 or 4 months of trading.

200% PENALTIES CHARGING FOR DEFAULT?

Yes, you are so right. If you do not register within 21 days of either reaching P 1m, then BURS have the right to register you retrospectively. After the retrospective registration, they will assume that you actually collected VAT from the supplies which you actually did not charge VAT on. They then go on to charge penalties of a maximum of 200%. Let's assume that a trader exceeded P1m on 10 January 2018 and they did not bother registering for VAT. BURS will give that trader up to 31 January 2018 and then deem that sales made from 1 February 2018 had VAT in them when indeed they did not. If that trader charged P4.48m from 1 February 2018 to the date when BURS deems them to be registered, BURS will extract the deemed VAT from that amount, being P 480 000 and then charge 200%, resulting a tax bill of P 1.44m. But that is not the end; they then charge monthly interest at 1.5%, which translates to over 18% per annum. This needs to be avoided through registering without compulsion from the taxman, otherwise the financial burden becomes too heavy.

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax Whatsapp group, send me a text on the cell number below.