

ALWAYS CHECK PARTICULARS OF TAX INVOICES: By Jonathan Hore

Congratulations to all who are registered for VAT and do not bear the tax that they are charged as they get to claim it from BURS. If such persons were not registered for VAT, their business costs would rise as the VAT would add to their costs. I want to discuss a rather simple but very important aspect of taxation which affects VAT registrants, being the issue of tax invoices that they use to claim input tax. Let me state that input tax is the tax that a VAT-registrant suffers when they purchase inputs into their business. The VAT Act prescribes the documentation that can be used to claim input tax. In this article, words importing the masculine shall be deemed to include the feminine.

4-MONTH RULE

The VAT Act prescribes that VAT cannot be claimed using tax invoices that are more than 4months old. What this means is that if one is preparing a VAT return for say June 2019, he can only use tax invoices issued in June 2019, May 2019, April 2019 and March 2019. Any other tax invoices issued before March 2019 is invalid and the VAT thereon cannot be claimed.

In other words, non-claimable VAT becomes a cost to the VAT-registrant and should either be capitalised to assets or used to increase the cost of consumables. What tends to happen is that when VAT-registrants receive tax invoices which are older than 4months, they request the supplier to issue a credit note. However, section 21 of the VAT Act which is the backbone for the issuance of credits notes, does not cover instances where a tax invoice is older than 4months. In other words, a supplier is not supposed to issue a credit note simply because their client discovered that their tax invoice is more than 4months old.

INVALID TAX INVOICES

Well, I know that very few VAT-registrants are worried about the validity of the tax invoices they use to claim input tax. What they may not know is that BURS is empowered to disallow all the input tax that they discover was claimed using invalid tax invoices. Let me state that section 23 as read with the Forth Schedule to the VAT Act prescribe the particulars that a valid tax invoice should contain. I detail below what the said legislation requires as particulars of a valid tax invoices:

- **VAT registration number:** The most common exposure regarding this aspect is the fact that most tax invoices do not reflect the recipient's VAT number. It may appear that this should not result in anyone losing input tax that they actually claimed but if BURS picks this, they can disallow the VAT claims simply because the tax invoice does not have the VAT-registrant's number.
- **Address:** It is very common for supplier tax invoices not to indicate the client's full address. This may be due to the way the supplier's system is configured or some suppliers simply don't know the importance of including the proper address. The other problem with addresses is usually when a general address is put on the tax invoice such as 'Gaborone.' But honestly, Gaborone cannot be anyone's address; it is a city!
- **Incorrect recipient's name:** The full legal name of the recipient should be indicated on tax invoices. In other words, no acronyms should be used such as WUC when someone is dealing with Water Utilities Corporation. If WUC is not registered as a trade name at BURS, then a tax invoice addressed to WUC will be invalid. Instead, the full legal name of Water Utilities Corporation should be reflected on the tax invoice.
- **VAT amount:** The VAT Act requires that a proper tax invoice reflects the amount before VAT, the VAT amount and the VAT-inclusive amount. However, some VAT

registrants have systems which are configured in RSA where the VAT amount and the amount before VAT is not shown. Such tax invoices only show the VAT-inclusive amount and a statement which reads something like, 'The total amount is VAT-inclusive.' Such tax invoices appear ok but are certainly not in compliance with local legislation and are therefore risky.

- Other particulars: The other particulars that a tax invoice must contain include the following: the name, address and VAT number of the supplier, the tax invoice number, the date of the tax invoice, the description of the goods/services and the words 'Tax Invoice' in a prominent place. Do not accept an invoice which reads 'Cash Sale' or just 'Invoice.'

PUT INTERNAL CONTROLS

Well, things may be fine today and you could be claiming VAT using any tax invoice that you may receive without checking the validity of the tax invoices. In the event of a tax audit by BURS, they can disallow all the tax you claim using non-compliant tax invoices. It becomes very difficult for you to justify why you should pay money to BURS simply because a tax invoice does not have your address or VAT number. Act now and ensure that no payment is made until a proper tax invoice is received.

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.