

WHY WE PAY BOTH RSA & BOTSWANA VAT: By Jonathan Hore

A lot of us, including companies purchase goods from South Africa. When we collect those goods from RSA, we get charged RSA VAT and then the same goods also suffer Botswana VAT on importation into the country. I want to analyse why VAT is payable in these different scenarios despite belonging to the same Customs Union, the Southern African Customs Union (SACU). In this article, words importing the masculine shall include the feminine.

RSA VAT

RSA traders are required to charge VAT on taxable goods. However, if they export the goods from RSA, then such goods may be chargeable to VAT at 0%, as they will be exports. In general, exportations of goods attract VAT at 0%, which makes them cheaper to the buyer than if VAT was charged on them. For example, if goods costing R 100 000 are exported, then their cost will remain at R 100 000. However, if the goods do not qualify as exports chargeable to VAT at 0%, then they will cost R 115 000, inclusive of the RSA VAT of R 15 000. Consequently, they become more expensive to the Botswana buyer, on face value.

But why is it that some goods are subjected to RSA VAT whilst some are not? Well, RSA traders can only charge VAT at 0% if they are positive that they will obtain exportation documents sufficient to prove that the goods left RSA and then crossed into Botswana through an RSA bill of entry (export) and a Botswana bill of entry (import). The RSA traders can only be certain that they will have both bills of entry if they are the ones delivering the goods to Botswana by road or when they consign them via rail, courier or air. It is only then that they can charge VAT at 0% to Botswana residents. If they are not certain that goods will leave RSA, they then charge VAT at 15%, making them more expensive to the buyer, again, on face value.

If a Botswana-based person travels to RSA to collect goods, the RSA traders won't be sure that the goods will actually leave RSA, which means that they can't apply the 0% on the sale; they rather charge VAT at 15%. This is the main reason why we get charged RSA VAT when we go there to collect the goods. The RSA VAT is however claimable from SARS through the SARS refund administrator's office based in Gaborone and this explains my 'on face value' clause above. This means that the goods which cost R 115 000 as stated above will effectively cost the importer R 100 000, when the VAT refund is processed.

Botswana VAT

Even though goods may have suffered RSA VAT, they will also be subjected to Botswana VAT at the time of importation on the equivalence of R 100 000, per the example above. The fact that Botswana and RSA belong to the same Customs Union does not affect VAT as SACU only impacts Customs duties. The Botswana VAT is however not a cost to VAT-registrants as they can claim it from BURS through VAT returns, if the VAT is not prohibited. However, the Botswana VAT becomes a cost to Botswana importers if they are not registered for VAT.

Conclusion

As has been noted above, imports from RSA may suffer both RSA and Botswana VAT but the RSA VAT can be claimed back, which makes it not to be a cost to the importer. Further, Botswana VAT is only a cost to non-VAT registrants whilst VAT-registrants can claim it back. So, if you want to avoid the cashflow implications arising from paying both RSA and Botswana VAT, then try to get the RSA traders to arrange their own transportation or consign the goods in order for them to charge VAT at 0%.

Well folks, I hope that was insightful and as Yours Truly says goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax Whatsapp group or to know more about our 8 Tax e-books, send me a text on the cell number below.