

Quotes Must Show 14% VAT Change: By Jonathan Hore

The business community is anxiously waiting for the promulgation of the tax laws which were announced during this year's budget speech, in particular the VAT rate shift. If you didn't know, the VAT rate is set to shift from 12% to 14% effective 1 April 2021 and the necessary legislation is being put in place. This will mean that almost all goods and services will be subjected to VAT at 14%, post 31 March 2021. So, as we expect this VAT rate change, it is ideal that all quotations or proforma invoices indicate VAT at 12% but with a note that the rate will change to 14% upon enactment of the relevant law. For the avoidance of doubt, this article was written on 27 March 2021 and is subject to the promulgation of the anticipated VAT increase laws. I will expand on that matter in detail below. In this article, words importing the masculine shall be deemed to include the feminine.

Prices must be VAT-inclusive

The VAT Act requires that prices that are quoted or advertised must indicate the VAT amount or simply be shown VAT-inclusive. In other words, it is illegal to advertise a price without showing that VAT will be charged as that misleads clients. Similarly, it is not legal to quote a price exclusive of VAT without mentioning that VAT is charged. If you are that inquisitive person who queries everything, let me do you justice and tell you that this is a requirement of section 68 of the VAT Act. That section states that, '*... where a registered person advertises or quotes a price in respect of a taxable supply, the person shall include tax in the price advertised or quoted... A registered person may advertise or quote a price in respect of a taxable supply as exclusive of tax where- (a) the advertisement or quotation also states the amount of tax charged on the supply and the price inclusive of tax; and (b) the price inclusive of tax and the price exclusive of tax shall be advertised or quoted with equal prominence or impact.*' The above makes it patent that prices which are advertised must not be indicated as if VAT is not chargeable. So, how does this affect quotations currently being issued by businesses before the VAT law is promulgated?

Issue conditional quotes

Since the VAT rate can change any time, businesses are better off providing conditional quotes, as below:

- **Notes:** A quotation may be issued with a note which reads as follows, 'this quote has been issued using VAT at 12% but this is set to increase to 14% effective 1 April 2021.' This makes clients aware that the price they see on the quote is conditional upon the change in the VAT rate.
- **2 quotes:** For those who deem it necessary, providing two quotes may be an option, i.e. one showing VAT at 12% and another at 14%. The one with 14% must be explicit in that the 14% will be charged as and when the law changes, for clarity.

No 14% yet

We must make it clear that the above is applicable for quotations and adverts and not for real sales. No business is legally required to charge VAT at 14% as yet, except indicating that the rate may rise to that level when the VAT increase law is promulgated. Even those issuing rental invoices for April 2021 must use 12% until the law is enacted.

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 or know about our 9 Tax ebooks, send me a text on the cell number below.