

## **EXPECT VAT BILLING MACHINES IN 2022**

Compliments of the new year and wishing you and your loved ones a safe and blessed 2022. Well, you may notice that we are now two writers to this tax column and that will remain like that going forwards. Each year usually comes with its own tax changes, which in most instances completely change the landscape of the impacted taxes. You may have picked from past budget statements and media briefings by finance officials that there is a drive to increase the capacity of BURS to generate taxes locally. Those of you who read newspapers may have noted that BURS started advertising for vendors who can supply and implement an electronic VAT invoicing solution in 2021. On that basis, it is our view that VAT electronic billing machines may be a tax change to watch for in 2022. In this article, words importing the masculine shall be deemed to include the feminine.

### **VAT invoicing solution**

Internationally, countries have noted that VAT registrants may be tempted to slash sales in a bid to reduce or underpay VAT. The VAT system is controlled and administered by taxpayers and BURS only has access to the finer details of the taxes when they conduct tax audits. Predominantly therefore, BURS depends on the voluntary compliance of taxpayers, which is expected to be free of fraud. But as stated above, some VAT registrants are tempted to manipulate the tax systems in such a way that they end of paying less VAT through underdeclaration of sales. That effectively results in BURS' VAT collections tumbling due to the said revenue manipulation. This has been noted internationally and most countries, including Rwanda and Zimbabwe, have compelled VAT-registrants to acquire VAT billing or invoicing machines, with the aim of increasing VAT collections.

### **How it works**

The introduction of a VAT invoicing or billing solution technically means that VAT registrants will be compelled to purchase VAT billing machines which will be interfaced with BURS system. As invoices are raised by each VAT-registrant, BURS will remotely be able to tell how much in sales and VAT would have been recorded by each VAT registrant. In that way, it becomes difficult for VAT registrants to underdeclare VAT through slashing sales as BURS will be able to pick such discrepancies. Further, the simple fact that a VAT registrant is forced to acquire and connect the VAT billing system will bring an awareness among taxpayers that they must not attempt to manipulate the sales. Additionally, the VAT billing systems also allow BURS to pick purchases which don't have any link to the VAT registrants' business. For example, if VAT is claimed on the acquisition of a gun by a tax firm, the system can pick that and then send an email alert to BURS to investigate the same.

### **On the cards**

The tax authorities are fully aware of this and in the 2020/21 – 2022/23 Economic Recovery and Transformation Plan, it was stated that, 'Rwanda provides an example of how to achieve improved revenue collection efficiency for VAT – an area where Botswana's performance has been weak, and deteriorating. The Rwanda Revenue Authority (RRA) requires all entities that are registered for VAT to utilise RRA-approved Electronic Billing Machines (EBMs), and issue an EBM receipt for all sales transactions. A record of EBM transactions has to be submitted to

the RRA by users on a daily basis, using the internet via wi-fi or the cellphone data (3G/4G) network. It is illegal for tax-registered entities to sell goods and services without issuing an EBM receipt. This has dramatically increased tax compliance for VAT. Besides increasing tax collection, the EBM system provides a large amount of real-time data to track economic activity, as it shows where transactions are taking place, and what is being bought and sold throughout the country on a daily basis.'

### **Conclusion**

We are sure that you can tell from the above quote that this matter is on the cards, and it will not be surprising to see it coming this year or not so far away from now.

Well folks, we hope that was insightful. As we, the two Yours Truly's say goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax Whatsapp group, send us a text on the cell number below.