

14% & 12% VAT rates apply post 01.08.22

Pursuant to the announcement of the reduction in the VAT rate by the Minister of Finance and Economic Development (MOFED), Honourable Peggy Serame, it is imperative that businesses appreciate and understand the technicalities in the treatment of goods and services following such a change. Cooking oil and liquid petroleum gas will be charged VAT at 0% as from 1 August 2022. Businesses need to be ethical and reduce prices so as to relieve the public of the negative effects of rising global prices.

The MOFED proposed a reduction of the VAT rate by 2% for 6 months with effect from 1 August 2022 to 31 of January 2023 on all taxable goods and services. This implies that goods and service providers should charge VAT at 12% during the said period. However, it is of paramount importance to note that the VAT Act prescribes transitional measures which should be adopted by taxpayers when a VAT rate changes. Where movable goods such as cooking oil are delivered by a supplier before 1 August 2022, VAT on such goods will be 14% despite the fact that payment is made or an invoice is issued post 1 August 2022. Conversely, successive services such as monthly trainings or equipment hire performed prior to 1 August 2022 are also liable to VAT at 14%, despite the fact that an invoice or payment is made after 1 August 2022. On the other hand, where movable goods or services are supplied successively over a period that overlaps before and after 1 August 2022, the VAT rate should be apportioned and 14% allocated to supplies up to 31 July 2022 and 12% applied on supplies made on or after 1 August 2022.

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