

## **No tax invoices on deposits**

Most businesses, largely in the entertainment sector book clients in advance to plan and schedule activities. The business cycle of hoteliers, restaurateurs, and tour operators usually follow pick periods and off-peak periods. Often, during off-peak periods bookings are not necessary as the business would have ample places to accommodate walk-in clients. However, the opposite is true for peak periods. For one to secure a reservation during public holidays such as Easter, Christmas and New Year a pre-booking accompanied by a deposit is of paramount importance.

The purpose of today's article is to address pertinent VAT issues relating to issuance of tax invoices by players predominantly in the entertainment business when a deposit is paid for reservations. The article also speaks to any business which requires deposits upfront.

The VAT Act generally requires registered persons to issue tax invoices for all goods or services when taxable supplies are made. The question which is often asked is how then does one treat deposits received along with a booking/reservation? To unlock this question, we need to consider two issues. Firstly, tax invoices are required to be issued by a VAT registered person to a recipient of a taxable supply. Secondly, a deposit is a prepayment for a future obligation, and it is not treated as a payment for a supply of goods or services. Since the law requires a tax invoice to be issued when a registered person supplies goods or services, a deposit doesn't warrant the issuance of a tax invoice since there won't be any supply made but a mere reservation for a future supply. A supply which triggers issuance of a tax invoice occurs when the actual services are rendered to a recipient. You can read more tax articles on our website, [www.aupracontax.co.bw](http://www.aupracontax.co.bw) under the 'Tax Articles' tab. **This article is of a general nature and is not meant to address particular matters of any person. Please contact us on +267 71815836 +267 3939435 or [jhore@aupracontax.co.bw](mailto:jhore@aupracontax.co.bw) for tax consulting or to join our free Tax WhatsApp group or to know about our 9 Tax e-books**