

### **VAT claimable on extended single cabs**

Generally, businesses invest in vehicles for various operational reasons including, among others, convenience in ferrying goods, or raw materials etc. Further, businesses tend to consider the traditional cost-benefit analysis when it comes to capital decisions. In this regard, it is also key that business operators pay attention to the tax implications of such investment decisions. In order to maximise and reduce VAT cost, it is prudent for VAT registered persons to acquire assets i.e., vehicles which allows them to claim input tax. Keep on reading and understand how you can maximise VAT claims in respect of acquisition or leasing vehicles, primarily on extended single cabs. In this article, words importing the masculine shall be deemed to include the feminine.

### **Input tax**

Basically, input tax refers to VAT incurred on purchases or acquisition of assets. Accordingly, every VAT registered person is permitted to claim such tax provided the acquired commodities are directly or indirectly expended towards the production of taxable supplies i.e., goods or services that are ordinarily charged a VAT rate of 14% or 0%. Now, taking a look at acquisition of vehicles, the VAT laws peremptorily prohibits claiming of input tax incurred on passenger vehicles. However, the same is permissible when incurred on a commercial vehicle. It is therefore critical to understand whether or not an extended single cab is considered as a passenger vehicle for VAT purposes to enable the correct VAT treatment.

### **Enter passenger vehicle**

The VAT Act defines a passenger vehicle as, 'a vehicle designed or adapted for the transport of nine or fewer seated persons, including a double cab vehicle but does not include a safari vehicle.' Now, this is where it becomes interesting and a little bit technical. The critical aspect provided by the definition which one should pay close attention to is the phrase, 'designed or adapted.' Essentially, the said phrase forms the focal point and basis upon which determines whether an extended single cab is a passenger vehicle or not. Put differently, the phrase simply points to the fact that for a vehicle to be construed as a passenger vehicle, it should have been designed as such or adapted to be one. In other words, the objective and motive of the manufacturer should be for the vehicle to primarily convey nine or fewer passengers. Therefore, the deciding factor of whether a vehicle is a passenger or commercial vehicle is not determined by the usage to which it is put but the design or adaptation made.

### **Claim VAT on that cab**

As alluded to above, the critical factor is the design of the vehicle. Therefore, an extended cab being a vehicle primarily designed for the carriage of goods falls outside the ambit of a passenger vehicle. Thus, VAT incurred on acquisition, import or leasing of such an extended cab i.e., input tax is claimable.

### **Conclusion**

It is therefore key for VAT registered business operators to carefully chose the type of vehicle to purchase or hire in order to maximise on the VAT credits. However, where a registered operator is denied an input tax claim on a passenger vehicle i.e., double cabs or sedans, the VAT incurred on repairs and insurance of such vehicles remains claimable.

Well folks, we hope that was insightful. As us the two Yours Truly say goodbye, remember to pay to Caesar what belongs to him. If you want to consult, join our free Tax WhatsApp group

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