

PUBLIC BODIES PAY VAT WHENEVER THEY IMPORT SERVICES in Botswana

Generally, public bodies are usually established by the government to deliver and provide affordable services to the general public. In most cases, some of these public bodies which include parastatals, central government and their subdivisions, public hospitals, councils etc offer services which are technically referred to as exempt supplies, i.e., services or goods which are not subject to Value Added Tax (VAT). In this regard, it is crucial to note that the VAT laws requires such bodies to charge themselves VAT and remit to BURS, whenever they procure services from offshore service providers. In this article, words importing the masculine shall be deemed to include the feminine

Enter importation of services

Firstly, let us have a brief look at what is regarded as importation of a service in as far as VAT is concerned. The VAT Act defines the term service to mean anything that is not goods or money. Services which are subject to VAT on importation include consultancy, training, repairs, licences renewals and legal services as long as they are provided a non-resident service provider.

Enter VAT

As alluded to above, any resident person who enjoys services provided by a non-resident supplier would have actually imported a service. The VAT law goes further to provide that VAT on imported services need not to be accounted for in cases where the services are consumed in the making of taxable supplies. For the avoidance of doubt, only a Vat registered person can be said to be making or producing taxable supplies i.e., goods or services that would ordinarily be chargeable to VAT at the rate of either 14% or 0%. Conversely, this technically implies that VAT on imported services should be accounted for in cases where the services are consumed in the making of exempt supplies or if imported by a person not registered for VAT. In verbatim the VAT Act defines importation of services for Vat purposes as 'a supply of services to a resident person by a non-resident person; or by a resident person from a business carried on by the resident person outside Botswana, to the extent that such services are utilised or consumed in Botswana, other than to make taxable supplies.'

Imported service VAT!

Now to bring everything into perspective, it is apparent that one needs to account for VAT on imported services if the same is utilised in making or producing exempt supplies. Accordingly, such criteria clearly brings VAT exempt persons or bodies in the tax net whenever they utilise services from foreign suppliers. The mechanism for paying for this VAT is that the recipient being the VAT exempt person, charges VAT on the invoice amount and pays the same to BURS using a different VAT form from the normal one used by VAT registrants.

Conclusion

It is crucial for public bodies who are VAT exempt or not registered for VAT to take cognisance of this special VAT which is triggered by importation of services. This VAT is also applicable to VAT registered bodies who supply both taxable and exempt supplies. In such a case, VAT on imported services will only be payable on that portion attributable to exempt supplies. Another critical point to note is that this VAT on importation of services remain payable even if withholding taxes are deductible and paid to BURSON the same transaction.

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 or to know about our 9 Tax e-books, send a text to +267 7181 5836 or email us on jhore@aupracontax.co.bw. You can read more tax articles on our website, www.aupracontax.co.bw under the 'Tax articles' tab.