

## **NO INPUT VAT CLAIMS ON MOTORCYCLES**

The legislature was thoughtful enough to allow some businesses to claim input tax incurred on some taxable goods and services. This input tax reduces the tax payable to the taxman and therefore acts as a form of tax relief. However, there are instances where input VAT claim is prohibited, depending on the type of good or service acquired. One common good which is usually denied input tax is a motorcycle. Allow us to explain further on this concept of denying input tax claim on motorcycles. In this article, any word importing the masculine shall be deemed to include the feminine.

### **ENTER VAT ACT**

Before we lay out the facts on why input tax claim is denied on motorcycles, allow us to explain what a taxable supply is, and which kinds of businesses provide such. In Botswana, some businesses are bound by the Value Added Tax Act (VAT Act) to register for VAT with Botswana Unified Revenue Service (BURS) when their sales revenue exceeds the registration threshold of P1m. These businesses are then expected to always charge VAT on the taxable supplies they offer, unless such supply is exempt per the VAT Act, i.e., not chargeable to VAT. A taxable supply is a good or service subject to VAT and provided by a registered operator. Its total cost includes the VAT portion which should be paid over to BURS. As a form of relief for paying the VAT due to BURS, these businesses are allowed to claim input tax paid when purchasing goods or services, used to make the taxable supplies, from VAT registered suppliers. Despite this provision, input tax is denied in several instances, as provided for in section 20 of the VAT Act. Unfortunately, motorcycles form part of this list.

### **ENTER MOTORCYCLES**

A motorcycle is considered a passenger vehicle, which is clearly listed as one of the supplies to which input tax claim is denied. In terms of the VATA, a passenger vehicle is a vehicle which carries not more than nine seated passengers, which clearly includes a motorcycle since it carries at most two seated passengers. VAT registered businesses, therefore, cannot claim VAT on the purchase or hire of passenger vehicles, unless they deal in or hire passenger vehicles. Businesses usually procure the passenger vehicles for top management or for running errands. A motorcycle therefore is primarily designed to carry one passenger, which is less than 9 stated above, meaning that it qualifies as a passenger vehicle on which VAT isn't claimable. In other words, a business which buys motorcycles cannot claim the input VAT, despite the fact that such vehicles are usually used to transport parcels and make deliveries. For VAT, the usage to which a vehicle is put is irrelevant when we interrogate VAT claims. What matters is whether

the vehicle, as constructed by the manufacturer, was primarily or predominantly meant to carry passengers or goods. As long as the answer is passengers, then no VAT is claimable.

## **CONCLUSION**

In conclusion, motorcycles are considered passenger vehicles, and any input tax incurred when purchasing motorcycles is not allowed to be claimed. Consequently, when selling these vehicles, businesses do not have to charge VAT because they would have been denied input tax claim.

**Tax hint:** If you have never had a tax audit/review conducted by a tax consultancy firm to check whether you are tax compliant or should it be apparent that you are not certain that your tax affairs are in good order, then don't wait for the taxman to pounce on you as that can be very costly. Contact us today so we can help you fix your tax affairs whilst you still have time.

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