



ZANZIBAR REVENUE BOARD

VAT REFUND AND REFUND PROCEDURES

What is a Refund?

- These are money paid back by ZRB to the taxable person who submitted their refund claims showing that the input tax paid for the prescribed accounting period exceed the output tax collected for the period.

Categories of Refunds

- **Refunds** – the taxable person allowed to be refunded the Credit Amount
- **Carrying forward** – the taxable person allowed carrying forward the credit amount to offset his future tax liabilities.

Requirement of the law

The main legal Provisions in the VAT Act, 1998 & Tax Administration Procedures Act (TAPA) relating to VAT Refunds and Repayments are as follows:

- Section 17(2) and 17(4) - deals with allowable credit and allowable period
- Section 17(5) - deals with reduction of repayment by other liabilities
- Section 35 - deals with security measures
- Section 36 of TAPA - deals with the Commissioner to repay or remit the VAT

How Refund and Repayment claims can arise?

This can happen if one of the following circumstances occurs,

- The taxable person is dealing with zero rated supplies only thus collecting no output tax from the exportations.
- The taxable person deals with relieved bodies of which no output tax is collected from them.
- When input tax exceeds output tax in a prescribed accounting period (e.g. when taxable goods are bought in large quantities).
- Apart from above mentioned factors Taxable person can also claim refund on any other satisfactory reason(s) agreed by Commissioner of ZRB

What is Input Tax?

- Input tax is the tax paid by the taxable person in respect of the supply of goods or services whether local or on importation during a prescribed accounting period supported by Tax invoice or any other importation documents.

Conditions for claiming Input tax

- The Taxable person should possess **valid** Tax invoices (for the tax paid on local purchases) and other importation documents.
- Tax invoices on purchases used to claim input tax should possess all features required as per VAT ACT, 1998 and its regulations
- Input tax may not be deducted or credited after a period of **three months** from the date of the relevant tax invoice
- Other evidence satisfactory to the commissioner and
- All purchases made by a Taxable person **in** the course of or in the furtherance of his business i.e. Taxable person is not allowed to claim input tax on motorcar, business entertainment and other expenses of non-business nature.

What is the Tax Invoice?

- This is the document issued by the supplier of goods or services registered for VAT any buyer of goods or services which shall bear the words "tax invoice" on its face and including the following particulars:-
- The taxable person's name, address, TIN and VAT registration number;
- The date of supply;
- The number of the tax invoice taken from a consecutive serials;
- The customer's name, address, TIN and VAT registration number;
- A description sufficient to identify the goods or services supplied
- The rate of any discount.
- The total charge exclusive of VAT, the total tax charged and the total charge inclusive of VAT.

Procedures;

- The refund is not automatically paid to the taxable person unless application is made to the commissioner in the required manner,
- At a time trader wants to lodge the refund claim he/she should posse's **valid** Tax invoices (for the tax paid on local purchases) and other importation and exportation documents.
- Taxable person eligible for VAT refund claim should lodge repayment claims using form VAT 208, supported by the documents listed below of which its attachment is compulsory: -
- Purchases tax invoices, importation and exportation documents
- Brief working as to show how the claimed amount has been arrived at including the summary of purchases and sales if any.
- Evidence of supplies to VAT special relieved persons i.e. forms VAT 220; VAT222; VAT224

- Evidence pertaining to zero-rated supplies (exported goods) i.e. Airway Bills, Bills of Landing, etc
- Sometimes traders are requested to submit certain documents, which according to the Commissioner are important for substantiating the claim lodged as per the requirement of section 35(2) of the Value Added Tax Act
- The person can opt to carry forward the excess credits so as to offset what would have to be paid in the coming periods if he believes there is possibility of his future output tax to exceed the input tax.
- Basing on Risk Profiling System of the taxpayer and the nature of the business sector including the tax historical background of the claimant, materiality of the amount involved and the frequency of making refund applications by a particular taxpayer refund claims should be **AUDITED.**
- If the claims are found to be genuine, payment is made or carry forward is allowed within 30 days from the date of submission of documents or completion of the Audit.