VAT Alert –Tax Invoice requirements: Reminder

July 2018

In brief

- *General:* A VAT input tax claim on an invoice for a supply with a value exceeding TZS 100,000 is only possible if the invoice has the relevant customer details. However, some types of electronic tax registers ("ETRs") are unable to generate this information.
- *Action for customers and suppliers:* Where ETR receipts are provided, customers should check if the supplier's device is able to and does generate relevant customer details (to ensure a valid VAT input tax claim). Equally, suppliers using ETRs without the facility to generate customer details should consider replacement with ETRs that have this functionality.

Background

In a recent statement at a joint seminar with the National Board of Accountants and Auditors ("NBAA"), the Tanzania Revenue Authority ("TRA") reminded stakeholders that VAT input tax claims would be treated as invalid where tax invoices are incomplete in terms of compliance with the information requirements set out in law (even if issued from ETRs that are unable to fully comply with these requirements).

Types of EFDs

Currently, three types of electronic fiscal devices ("EFDs") are used for the purpose of issuing fiscalised invoices/receipts:

- *Electronic Tax Registers (ETRs):* ETRs are used by retail businesses that issue fiscal receipts manually, for example supermarkets.
- *Electronic Fiscal Printers (EFPs):* EFPs are used by computerized retail outlets and are connected to a computer network. These store every transaction detail in the fiscal memory.
- *Electronic Signature Devices (ESDs):* ESDs authenticate computer generated invoices by way of a unique number (signature) which automatically appears on an invoice issued by the user's system.

Tax Invoice

The VAT Act 2014 (section 86) requires a registered person who makes a taxable supply to issue a tax invoice that:

- Is serially numbered, true and correct;
- Generated by an EFD;
- Issued in the prescribed form and manner; and
- Includes certain prescribed information.

Of particular importance to a customer is the condition that output tax on a supply with a value in excess of the "minimum amount" (currently TZS 100,000) can only be claimed as an input tax credit if the tax invoice includes certain customer details (name, address, Taxpayer Identification Number ("TIN") and VAT registration number (VRN)).

ETR receipts – practical challenges

In certain cases some suppliers have found it impractical or impossible to issue fiscal receipts with all required information either due to large volumes of transactions or the manner in which the ETRs have been configured.

However, whilst in the past TRA may have made allowance for this given the challenges, the clear message now is that input VAT claims will in future only be recognised if supported by fiscal receipts with the full customer information.

Way forward - Customers

Customers who rely on ETR receipts for an input tax claim should ensure that such fiscal receipts contain their relevant information (name, address, TIN and VRN). (In addition, even if the ETR receipts are compliant, a further challenge is that they tend to fade over a period of time; and so with this in mind, it is prudent to scan/make a photocopy of these documents for future reference.)

Way forward - Suppliers

Businesses using ETRs should ensure that they use ETRs that have the functionality to include all the required information highlighted above. Where an ETR does not have such functionality, the business should consider replacement of the ETR.

Way forward – Registration Threshold

Given the compliance burden outlined above in relation to customer details and VAT accounting, there does appear to be an argument for a significant increase in the VAT registration threshold (TZS 100 million per annum, equivalent to turnover of TZS 274,000 per day).

Let's talk

If you require any clarification on the content of this newsletter or any other tax assistance, please do contact our Indirect Tax team below.

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