

ADVANCE INCOME TAX

What is Advance Income Tax?

Advance income Tax is a tax withheld in respect of imported goods for commercial purposes. This means that goods imported for personal use are excluded from this tax.

Why was this tax introduced in the 2007 budget?

This tax was introduced in an effort to capture unregistered business importers who make commercial imports thereby broadening the tax base and to enhance tax compliance for registered taxpayers.

Goods for commercial purposes include; goods for resale, for provision of services or for use in businesses. For example, the following importations will attract Advance Income Tax as these goods are considered to be for commercial purposes:-

- a) Goods for – a boutique owner imports clothes for resale
- b) Goods for provisions of services – a barber imports hair clippers
- c) Goods for use in the business – a manufacturer of biscuits imports a computer for his accounting department.

Goods imported for personal use are those bought for private use or domestic use, and not intended for business. These will not attract Advance Income Tax.

Computation of Advance Income Tax

Advance Income Tax will be computed at the point of entry at the rate of 3% of the Value for Duty Purposes (VDP) of the imported goods and it is not the final tax.

Exemptions

Advance Income Tax will not be imposed on the following:

- a) Goods imported for personal use;
- b) Persons, Partnerships and organizations exempted by statutory instrument # 29 of 2007:
 - Governments Ministries
 - Organizations whose income is exempt from tax under paragraph 4 part 11 of the Second Schedule to the Income Tax Act.

- Organizations whose income is exempt from tax under paragraph 6 (1) part 111 of the Second Schedule to the Income Tax Act;
- Any person or Partnership with a valid Tax Clearance Certificate and TPIN issued by the Commissioner General.

Refunds Procedures

A refund may be due to the importer who has paid Advance Income Tax and fulfills the following conditions;

- a) The importer must be registered for Income Tax or Turnover Tax;
- b) The importer must submit an Income Tax Return or a Turnover Tax Remittance Card at the end of the respective charge year;
- c) The importer must provide proof of payment such as receipts and any other relevant documents;
- d) The importer must make a claim that will be subjected to the refund processes as outlined in S. 87 of the Income Tax Act.

Refund Claim Process

1. For individuals not in business but have suffered AIT

The individual should submit an annual Income Tax Return at the **end of the charge year** accompanied by copies of the following:

- Customs and Excise Declaration (Form CE 20)
- Customs assessment notice on which the AIT was charged
- ASYCUDA generated receipt on which payment was made

Inspectors will be required to scrutinize such claimants and verify whether these were in business or not before the refund is effected.

2. For Persons and Other bodies that are in business

These should claim the AIT paid through the submission of annual returns for the charge year in which the AIT was paid. The return should be accompanied by the following documents;

- Customs and Excise Declaration (Form CE 20)
- Customs assessment notice on which the AIT was charged
- ASYCUDA generated receipt on which payment was made

Note that the AIT will be treated in the same way the WHT is treated in the return as long as the above are attached.

3. Turnover Tax Cases

The taxpayer will claim the AIT paid through the Turnover Tax Remittance card for **month 12** by attaching copies of the following documents;

- Customs and Excise Declaration (Form CE 20)
- Customs assessment notice on which the AIT was charged
- ASYCUDA generated receipt on which payment was made