

REQUIREMENTS OF A TAX INVOICE AND COMPUTER GENERATED TAX INVOICES

1. INTRODUCTION

A tax invoice is a crucial document to the VAT system because it records the sale of goods and services; both taxable and exempt. Issuance of a tax invoice constitutes one of three instances that establish the liability of the registered supplier to VAT. It also indicates the amount of refund the buyer is entitled to.

This leaflet explains the particulars required on tax invoices and the minimum requirements of an approved computer system used to generate tax invoices.

2. Tax Invoice

A tax invoice is issued to record sales of goods or services. A tax invoice must include the following details:

- a. Full preprinted identification of the registered supplier; name, address, and VAT registration number;
- b. The date of issue of the invoice;
- c. A pre printed number of the invoice taken from a book of consecutive series;
- d. The customer's name or business name and address;
- e. A description sufficient to identify the goods or services supplied and which includes the quantity of the goods or extent of the services supplied, the tax inclusive charge for each description of goods or services supplied and the rate of tax and;
- f. The rate of discount and shall either-
 - (i) indicate-
 - the total charge on the invoice, exclusive of the tax
 - the total tax charged; and
 - the total amount charged on the invoice inclusive of tax; or
 - (ii) state that the total charge is inclusive of tax and indicate
 - the total charge on the invoice, inclusive of tax; and
 - the rate of tax.

- g. Terms and conditions of the transaction.

Example of a tax invoice

QUALITY TYRES LIMITED Cairo Road P.O Box 30000 Lusaka		VAT Registration: 10012345-67		Tax Invoice No. 9238	
To: Speciality Cars Ltd Freedom Way PO Box 20000 Lusaka		Date: 26 th July 2003			
Quantity	Description	Unit Cost (K)	Total(K)		
2	165/70x13 Tyres	25,000	50,000		
4	175/70x14 Tyres	30,000	120,000		
			<u>170,000</u>		
			VAT at 16%		27,200
			Total		<u>197,200</u>

3. Computer Generated Tax Invoice

The following are the minimum requirements for any computer system to be accepted for generating and printing tax invoices for VAT purposes, as an alternative to having tax invoices pre-printed.

- a. The system must be programmed in a manner that it locks (makes read-only) all details pertaining to an invoice that are on the system, immediately the invoice is printed;
- b. If the system allows posted invoices to be edited, there should be an audit trail report highlighting any additions, deletions or changes made at any time;
- c. The invoice numbers must be consecutive and increasing and should be system generated;

- d. The system must be able to produce, at least, a listing of all invoices that have been processed by the system, showing such details as:
- (i) Invoice number
 - (ii) Invoice date
 - (iii) Description of goods/ services
 - (iv) Name of customer
 - (v) VAT inclusive invoice amount or value of goods/ services and VAT amount.

The requirements in 'a' to 'c' above must be applicable to all other transactions, pertaining to sales, processed by the system.

The system must have no provision for bypassing the minimum requirements specified in a to d.

NOTE: Tax Invoices, which do not meet the above requirements are not acceptable as evidence of supply for the purpose of claiming input tax.

4. Tax Invoices Issued in Foreign Currency

In the past, registered suppliers were allowed to issue tax invoices in currencies other than the Zambian Kwacha, so long as they indicated the Kwacha equivalent or the appropriate rate of exchange on the invoice. But following a directive from the Bank of Zambia, invoices issued in foreign currency are no longer acceptable.

6. Tax Credit Notes

Credit notes are issued when goods are returned to the supplier, the value of the supply is reduced or the supply is cancelled. Credit notes must contain the same particulars prescribed for tax invoices and must contain a reason for passing of the credit.

7. Validity Period of Tax Invoices

With effect from 1st April, 2002 the validity period of a tax invoice, for the purpose of claiming input tax was reduced to one year. This implies that if a tax invoice is more than twelve months old from the date of issue, it becomes stale and cannot be used for claiming of input tax. It is therefore, advisable to ensure that input tax is claimed within a period of one year.

8. Offence for Failure to Issue a Tax Invoice

It is an offence for a registered supplier not to issue a tax invoice, containing the particulars listed in this leaflet, whenever he makes a supply of goods or services. The offence carries a fine of ten thousand penalty units.