What is Import Value Added Tax deferment?

Value Added Tax (VAT) deferment is a scheme available to VAT registered suppliers who, subject to such conditions as the Commissioner-General may require, and in such circumstances as may be allowed, are permitted to account for tax on goods specified in the Third Schedule of the Value Added Tax General Rules by deferring the payment of Value Added Tax at importation, provided that the registered supplier also foregoes the equivalent tax deduction or credit under Section 18 of the VAT Act.

The scheme is meant to incentivise the importation of capital equipment by deferring the payment of import vat.

Who Qualifies for Import VAT Deferment?

a) VAT deferment is available to VAT registered taxpayers. However, since the Statutory threshold for VAT registration is the same as that for Income Tax, it is a requirement that the taxpayer should also be registered for all other relevant taxes for which they may be eligible to register.

b) Taxpayers involved in the importation of capital goods for use in the manufacturing of taxable goods. Consequently, taxpayers involved in retail trading or in the trading of imported capital goods will not qualify for VAT deferment. Where the importer who has deferred import VAT does not use the imported item solely for making of taxable goods, he will be assessed the deferred import VAT and charged interest accordingly.

c) Due to a lack of mechanisms for the application of partial-exemption methods at importation, partially exempt suppliers are advised to pay import VAT and claim the qualifying portion of the input tax using their respective approved partial-exemption methods in subsequent VAT returns. Where a partially-exempt supplier has deferred import VAT, the supplier will be assessed the portion of such deferred import VAT as relating to exempt supplies and charged the interest accordingly.

How does one access the VAT Deferment Scheme?

Taxpayers registered for all relevant taxes are required to apply online. In the event that the online system is unavailable, taxpayers may apply in writing using company letterhead, to the Commissioner-General, who subject to other conditions as may be required, shall approve the application.

What are the requirements for approval of the scheme?

a) The taxpayer should be registered for VAT and all other relevant taxes for which they are eligible to register;
b) Applicant must be up to date with return submission for all tax types for which registered;
c) Applicant should be tax compliant with no outstanding liabilities in the various tax accounts;
d) The imported equipment or capital good must be directly attributable to taxable sales or activities;
e) The imported equipment or capital good must be VAT deferment gazetted and the respective and specific HS code listed on the VAT deferment schedule; and
f) Consequently, partially-exempt suppliers may not qualify for approval.

Taxpayers that meet all these conditions will have their applications approved for configuration on TaxOnline for a specified period of not more than one (1) year.

What should be attached to the application letter?

The taxpayers are required to attach a copy of the commercial invoice or quotation of the equipment being imported to their application.

Which equipment or capital goods enjoy VAT deferment?

a) Equipment that is subject to VAT deferment is specified in the Third Schedule to the VAT General Rules. Consequently, only these gazetted and specified goods will qualify for VAT deferment.

b) Goods only qualify for VAT deferment at first importation and therefore re-importations are not subject to deferment even if listed on the deferment schedule.

What happens if a Taxpayer configured for VAT deferment imports equipment not specified in the Third Schedule?

A taxpayer who imports equipment that is not eligible for VAT deferment shall pay import VAT despite the TPIN having been configured for VAT deferment on TaxOnline and claim it through the VAT Return.

For more information contact:

Call Centre: 4111
Email: advice@zra.org.zm
Website: www.zra.org.zm

ZAMBIA REVENUE AUTHORITY
My Tax Your Tax Our Destiny

IMPORT VAT DEFERMENT