Fourth Method

Step 1 - Divide input tax for the prescribed accounting year into categories: -

a. Category A - input tax that is directly attributable to taxable supplies

b. Category B - input tax that is directly attributable to exempt supplies

c. Category C - input tax that is paid for the purpose of the business that is not directly attributable either to taxable or exempt supplies.

Step 2 - Calculate the value of taxable supplies made in the prescribed accounting year.

Step 3 - Calculate the value of all supplies in that year.

Step 4 - Divide the amount obtained in Step 2 by the amount obtained in Step 3, i.e.

$$\frac{\text{Taxable supplies in period}}{\text{All supplies in period}}$$

A proportion of input tax in Category C above, equal to the proportion mentioned in Step 4, is deemed attributable to taxable supplies and may together with the amount in Category A be claimed as a deductible or credit for the prescribed accounting year, to the extent that is exceeds any amounts already deductible or credited in earlier prescribed accounting periods in that accounting year.

(Taxable supplies in accounting year X Category C/ Supplies in that year) + input tax directly attributable to taxable supplies (Category A)

NOTE: The first two apportionment methods are used for shorter periods while the last two methods are applied to longer accounting periods

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Partially Exempt Supplies

Value Added Tax (VAT) registered suppliers making both taxable and exempt supplies are referred to as partially exempt suppliers.

To enable such suppliers reclaim input tax on their purchases and expenses that correspond to the proportion of their taxable sales (outputs), four (4) methods are available from which they can choose to claim the right proportion of input tax. The additional records will need to be maintained as they assist the supplier to use any of the four (4) partial exemption methods of apportionment.

This leaflet is designed to outline the four (4) partial exemption methods which partially- exempt suppliers may operate. Partially-exempt suppliers are required to choose a method of their choice for one accounting year after which they may decide to change to a different method.

At the end of each accounting year, a supplier using any partial exemption method is required to determine the attribution in respect of supplies made during the accounting year and in the next return adjust any difference in input tax previously attributed to taxable supplies during that accounting year.

RETAILER METHODS

First Method

Step 1 - Calculate the value of the taxable supplies made in the prescribed accounting period

Step 2 - Calculate the value of all supplies made in the prescribed accounting period

Step 3 - Calculate the amount of tax payable on supplies (purchases) made to the supplier in that accounting period

Step 4 - Divide the amount obtained in Step 1 by the amount obtained in Step 2, i.e.

$$\frac{\text{Taxable supplies in period}}{\text{All supplies in period}}$$

Input tax that can be claimed in the accounting period is the product obtained by multiplying the amount obtained in step 3 by the amount obtained in step 4, i.e.

$$\frac{\text{Taxable supplies in period}}{\text{All supplies in period}} \times \text{VAT payable on purchases in period}$$

Second Method

Step 1 - Divide input tax for the prescribed accounting period into categories: -

a. Category A - Input tax directly attributed to taxable supplies

b. Category B - Input tax directly attributable to exempt supplies

c. Category C - Input tax that is paid for the purposes of the business but is not directly attributable to either taxable or exempt supplies (e.g. VAT on electricity bills, rental bills, etc.).

Step 2 - Calculate the value of taxable supplies made in the prescribed accounting period

Step 3 - Calculate the value of all supplies made in that period

Step 4 - Divide the amount obtained in Step 2 by the amount obtained in Step 3, i.e.

$$\frac{\text{Taxable supplies in period}}{\text{All supplies in period}}$$

Input tax paid for the purposes of the business but is not directly attributable either to taxable or exempt supplies (input tax in Category C), equal to the proportion mentioned in Step 4 is deemed to be attributable to taxable supplies and may be claimed as a deduction with the amount of tax in Category A, i.e.

$$\frac{\text{(Taxable supplies in period)}}{\text{(All supplies in period or taxable supplies)}} \times \text{Input tax not directly attributable to exempt)}$$

$+$ Input tax directly attributable to taxable supplies.

$\boxed{\text{(Step 4 X Category C) + Category A}}$

Third Method

Step 1 - Calculate the value of taxable supplies made in all prescribed accounting periods in the accounting year

Step 2 - Calculate the value of all supplies made in that period

Step 3 - Calculate the amount of tax payable on supplies made to the supplier in that period

Step 4 - Divide the amount obtained in Step 1 by the amount obtained in Step 2,i.e.

$$\frac{\text{Taxable supplies made in periods in accounting year}}{\text{All supplies made in accounting year.}}$$

Input tax that can be claimed as a deduction or credit in the prescribed accounting periods is the product obtained by multiplying the amount obtained in Step 4 by the amount obtained in Step 3, less the amount already reclaimed in earlier accounting periods in that accounting year.

(**Taxable supplies made in periods in accounting year**) X (**amount tax payable on supplies in that accounting year**) / (**All supplies made in accounting year**).

Less: Amount reclaimed in earlier accounting periods in that accounting year