

It is helpful, where an agent represents more than one non-resident supplier, to have a separate invoice book for each supplier.

At the end of the tax period, the agent is required to file a return declaring the output VAT charged during the period. The return should be submitted to ZRA on or before the 18th day of the month following the end of the relevant period.

9. OBLIGATIONS OF THE TAX AGENT

The agent will be required to perform the following functions relating to tax on behalf of the non-resident supplier:

- (a) to notify the Commissioner-General, who will not unnecessarily deny acceptance of intention to take on a new principal or intention to terminate a contract with an existing one;
- (b) to keep, preserve and produce any records or accounts relating to each principal
- (c) to submit a tax return
- (d) to pay any tax or interest under the Act; and
- (e) to comply with any requirement by the Commissioner-General in respect of the business.

However, the non-resident supplier is liable, in like manner as his agent, for any liability under the Act arising from the performance of the above functions.

10. AGENCY FEES

The tax agent will charge the non-resident supplier agency fees that will attract VAT at 16% for the services. The VAT charged will not be eligible as input tax on the return raised on behalf of the non-resident supplier.



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REVERSE VAT

1. WHAT IS REVERSE VAT?

Reverse VAT is a transfer of liability to account for and pay Value Added Tax on imported services from the person making the supply ('the supplier') to the person receiving the supply ('the recipient'). Reverse VAT is provided for in sections 8(5) and 8(6) of the Value Added Tax Act.

2. SERVICES LIABLE TO REVERSE VAT

Reverse VAT is levied on all imported services provided by a non-resident supplier where a tax agent has not been appointed. A service will be considered imported if it is:

- (i) performed or undertaken in Zambia;
- (ii) utilized (or if the benefit of its supply is for a recipient) in Zambia regardless of where it is performed;

Examples of such services include:

- (a) Management and consultancy services
- (b) Technical or advisory services
- (c) Marketing information and sales promotions
- (d) Inland transportation services
- (e) Building construction and contracting etc.
- (f) f. Installation services (i.e. computers and software)

NOTE:

- An importation of an exempt service by a taxable supplier is not liable to reverse VAT;
- An importation by a person not eligible to register based on the nature of supplies (exempt supplies) or the nature of a person (privileged person) is outside the scope of

reverse VAT; and

- A supplier dealing in taxable supplies but not registered due to not meeting the registration conditions under Section 28 (taxable turnover below threshold), is outside the scope of reverse VAT administration.

3. ACCOUNTING FOR REVERSE VAT

The recipient of an imported service simply raises a Tax Invoice based on the value of the service received from a non-resident supplier. The value of the service is the taxable value on which VAT at 16% is added and declared as output VAT on the return. The reverse charge cannot be claimed back as input tax where a Tax Agent has not been appointed.

4. TAX POINT RELATING TO REVERSE VAT

The tax point on imported services is the earliest of the following events:

- (a) Time when a payment is made;
- (b) Time when an invoice is received from the supplier;
- (c) Time when the services are actually rendered or performed.

5. HOW CAN REVERSE VAT BE AVOIDED?

Reverse VAT can be avoided by the non-resident supplier appointing a tax agent who will act on that supplier's behalf in invoicing the recipient of the service in Zambia.

6. APPOINTMENT OF A TAX AGENT

A non-resident supplier who supplies a service to a taxable supplier in Zambia shall appoint a registered supplier in Zambia as a "tax agent". A tax agent should be independent of the non-resident supplier. The non-resident supplier will notify the Commissioner-General of the appointment of the tax agent.

Where the Commissioner-General accepts the appointment of a tax agent, any tax obligations of the non-resident

supplier (other than any obligations subsisting before the agent's appointment) shall be borne by the appointed tax agent until such a time as the Commissioner-General accepts another tax agent.

7. REGISTRATION OF THE TAX AGENT

The appointed agent will apply for VAT registration in the normal way. Where the appointed agent is already registered for VAT for some other business, the agent will still apply for a separate VAT registration based on the same Tax Payer Identification Number (TPIN).

The words 'Tax Agent' will be added to the business name. Business activity will be indicated as 'Tax Agency'. The turnover will be that relating to the activities of the foreign principal(s) in Zambia, while assets of the business will be such assets as will be employed in the agency. Accountants and contact persons will be those appointed by the agency.

The registered agent will be able to deal with any other foreign principal using the same registration provided the Commissioner-General is notified of any additions or subtractions to the list of principal companies dealt with.

8. ACCOUNTING FOR VAT BY THE TAX AGENT

The tax agent will arrange for Tax Invoices bearing details of the agency. Whenever the non-resident supplier wishes to raise an invoice to the customer in Zambia, the agent's tax invoices will be used with the non-resident supplier's name in brackets.

For example, a tax invoice issued by ZRA Tax Agents for their principal, XYZ Consultants, for consultancy services rendered, will appear as follows;

Supplier's name: ZRA Tax Agents (for XYZ Consultants)

Description: Services being supplied are specified