




APPROVED DOCUMENT CONTROL PAGE

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NOTIONAL INPUT VAT.

Background:

This is a pocket guide, which aims at defining the concept of notional input tax and how it is to be calculated.

Principle:

Notional VAT has not been defined in the VAT Legislation. However, Notional Input Tax is a principle used in Second hand goods scheme. In terms of this, when second hand goods are acquired by a VAT registered taxpayer from a person who is not liable to be registered for VAT, the registered vendor may claim a notional input VAT on the supply calculated on the tax fraction .

The law

Regulation 9

In terms of Section 28 of the Act (VAT Act 12 of 2011)

- (1) Where goods are sold by a second hand dealer (who bought the goods from a private person or a non value added tax registered person), value added tax shall be charged on the same goods and the re-seller shall not show any amount of value added tax, or other statements from which value added tax may be calculated;*
- (2) Where a person is a second hand goods dealer or supplier of used goods in the retail business, that person shall be liable to charge and pay Value Added Tax only on the profit Margin, and not on the full sale price;*
- (3) Where a second hand goods dealer is determined as being in possession of a tax invoice or paid value added tax by importation upon purchase of goods, the second hand dealer shall be liable to Value Added Tax on the full sale price;*
- (4) Where the purchase price exceeds the sale price, these regulations shall apply not apply and the purported loss not be deducted in future profits;*
- (5) Where a second hand dealer invokes these regulations, the re-seller shall issue special invoices which clearly stipulates that the sale is being carried out under these regulations;*
- (6) The re-seller under sub-section (5) is under an obligation to keep special accounts for purchases and sale under these regulations.*

Accordingly Section 28 of the VAT Act read with VAT Regulation 9 allows for notional input tax in that it allows a second hand dealer to issue special invoices which stipulate that the sale is carried on under the Regulations.

Application of Notional input tax

Notional input VAT can be claimed only;

- When second hand goods are supplied by a non-registered taxpayer in Swaziland;
- Goods are situated in Swaziland;
- Goods are used for wholly taxable supplies;
- Goods are second hand or previously owned;
- Input tax is now calculated and equal to the tax fraction of 15/115;
- Notional input tax can only be claimed to the extent that the payment has been made.

Any tax invoice relating to notional tax issued after the 1st August 2018, should reflect the tax fraction 15/115 as opposed to the position before 1st August 2018 where the tax fraction was 14/114. Taxpayers are required to keep records of such invoices.