



# Eswatini Revenue Authority

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## NOTICE NO 3 DT-VAT 2019

### VALUE ADDED TAX – REVERSE CHARGE MECHANISM FOR THE FORESTRY INDUSTRY

#### PART A

In exercise of the powers conferred by Section 75(1) of the VAT Act 2011(hereinafter referred to as the Act), and Paragraph 5(3) of VAT Regulations, 2012, (under Section 84), the Commissioner General issues the following notice:

#### **Citation and commencement**

This Notice may be cited as Notice No 3 DT- VAT 2019 on the VAT reverse charge mechanism for Forestry Companies in terms of the VAT Act 2011, and Paragraph 5(3) of VAT Regulations, 2012, (under Section 84). This Practice Note shall be effected on the 01<sup>st</sup> of July 2019.

#### **Purpose**

The Notice is a directive and seeks to reduce the compliance costs amongst foresters conducting business with Forest Companies. This will as a result ease the VAT administrative burden on Foresters, Forest Companies, and the Eswatini Revenue Authority, as well as encourage Foresters to keep proper records.

#### **Definitions**

Any term used in this Notice shall unless specified otherwise have the same meaning as defined in the Act. For purposes of this notice the following terms shall have the meaning(s);

**“Tax Invoice”** means an invoice in terms of this practice note and not in terms of the Third Schedule of the Act.

**“Compliant Taxpayers”** means taxpayers who have no outstanding tax liabilities in terms of all the tax types administered by the Commissioner General.

**“Forest Company”** means the main company involved in the production of forestry products that has out sourced a part of its work.

**“Foresters”** means a person, persons or company who practice forestry, the science, art, profession and/or renders services (including forestry related services) as a sub-contractor to the Forest Company.

## **PART B**

### **1. Requirements**

This Notice will apply on the supply of taxable services to Forest Companies by Foresters who are registered for VAT and are required by law to collect and remit VAT.

### **2. Current Practice**

At the time of purchase, the foresters invoice the forest companies inclusive of VAT as per the provision of the law, being an obligation to all VAT registered taxpayers when making taxable supplies. They in turn collect, declare (through filing of VAT returns) and remit the VAT to the SRA.

### **3. Application of the Notice**

The Commissioner General has noted the level of non-compliance amongst Foresters and, as a means to encourage compliance, hereby instructs Forest Companies to withhold 15% VAT due to the Commissioner General, which would have ordinarily been collectable by the foresters, and remitted to the Eswatini Revenue Authority. Notwithstanding the fact that the invoice by the foresters would include VAT for completeness, the two parties are advised that foresters are not to collect the VAT but display it in their books for verification when required.

For purposes of VAT inclusive transactions between the foresters and the designated forest companies, the foresters are expected to include the value of the VAT supplies in their returns (input tax) for verification and processing. This will be monitored against the declarations by the service recipient (forest companies).

Notwithstanding the above, a Forester that has been engaged by a Forest Company covered by this Notice is at liberty to apply for exclusion from the directives of this instrument, and the commissioner, where satisfied that he is compliant with all tax types and is in a position to keep proper VAT records and remit, may waive the application of the Notice in writing.

If a VAT registered Forester makes a supply to any other customer besides the Forest Company covered by the Notice, the reverse charge system covered by this instrument shall not apply. In that case, that Forester must issue an ordinary tax invoice, and charge VAT on supply, collect, declare and remit the revenue to the SRA.

#### **4. Scope of the Notice**

This notice shall only apply to parties (foresters and forest companies) who have been directly served and advised of the directive. It shall not be seen to amend the position of the VAT Act. The Commissioner General, through the Notice, exercises his powers vested in the Act (in terms of Section 75 (1)), directing for efficient administration of the Act.



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**DUMISANI E. MASILELA**  
**COMMISSIONER GENERAL**

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