

Tax Alert 2 of 2021

Impact of the increase in the rate of Value Added Tax (VAT)

- 1) In respect of services performed or goods supplied, **where services or goods are provided before 01 April 2021**, then the rate of tax applicable to the supply will be 12%.
- 2) In respect of services performed or goods supplied (other than immovable property), where the services or goods are provided in respect of a **successive supply during a period beginning and ending before 01 April 2021**, then the rate of tax applicable to the supply will be 12%.
- 3) In respect of services performed or goods supplied (other than immovable property), where the services or goods are provided in respect of a **successive supply contemplated during a period beginning before and ending on or after 01 April 2021**:
 - a) relating to the performance of services or provision of goods before 01 April 2021, the VAT rate payable will be 12%, or
 - b) relating to the performance of services or provision of goods on or after 01 April 2021, the VAT rate payable shall be 14%.

For examples - In the case of a tender to supply goods or services from 01 January 2021 to 30 June 2021, the invoices raised between 01 January to 31 March will be charged at 12% VAT and invoices raised after 01 April will be charged at 14% VAT.

- 4) In respect of **immovable property**, where, before 01 April 2021:
 - a) the sale of immovable property consisting of:
 - i. a dwelling together with land on which it is erected,
 - ii. any real right conferring a right of occupation of a dwelling,
 - iii. any unit as defined in section 2 of the Sectional Titles Act, such unit being a dwelling,
 - iv. land, or of any real right conferring a right of occupation of land for the sole or principal purpose of the erection by or for the purchaser of a dwelling or dwellings on the land, as confirmed by the purchaser in writing,
 - b) the construction of a new dwelling by a registered person carrying on a construction business,
 - c) a written agreement was concluded and the price of the sale or construction was determined in the agreement which was in force before 01 April 2021 and signed by the parties before that date,
 - d) the supply of such immovable property or construction services under the said agreement is deemed to have been made on or after the said date,then, the rate of tax levied shall be 12% as if the supply had taken place on the date on which such agreement was concluded.

Goods are deemed to be provided by the supplier of the goods when the goods are delivered to the recipient, and goods supplied under a rental agreement are deemed to be provided to the recipient when the recipient takes possession or occupation of the goods.

For any queries in this regard, or to assess the impact of this change on your organization, please contact Rajesh Narasimhan, Partner - Taxation via email rajesh.narasimhan@bw.gt.com.