

GOVERNMENT NOTICE No. 177 published on 17/4/98

**THE VALUE ADDED ACT, 1997
(ACT NO 24 OF 1997)**

REGULATIONS

Made under sections 68, 16, 23, 25, 29 and 30

THE VALUE ADDED TAX (GENERAL) REGULATIONS, 1998

<p>Citation</p>	<p>1.</p>	<p>These Regulations may be cited as the Value Added Tax (General) Regulations, 1998</p>
<p>Interpretation</p> <p>Inserted GN 284 Sep 2003</p> <p>Inserted GN 284 Sep 2003</p>	<p>2.</p>	<p>In these Regulations, unless the context requires otherwise</p> <p>"Act" means the Value Added Tax Act, 1997;</p> <p>"Accounting year" means a twelve consecutive calendar months period;</p> <p>"Cash Register" means a machine designed for use in retail business for efficient management controls in areas of sales analysis and stock control system;</p> <p>"Commissioner" means the Commissioner for Value Added Tax</p> <p>"Daily Gross Takings" means all payments received for or services supplied for each day;</p> <p>"Retailer" means a supplier who sells goods in small quantities to the final consumer;</p> <p>"TIN" means Taxpayer Identification Number</p>
<p>Input tax not allowed on motor car</p>	<p>3. (1)</p> <p>(2)</p>	<p>Any input tax charged on the supply to, or importation by, a taxable person of a motor car shall be excluded from any claim, deduction or credit made under section 16 of the Act.</p> <p>For the purposes of this regulation motor car means any motor vehicle which has three or more wheels and which—</p>

		<p>(a) is constructed or adapted wholly or mainly for the carriage of passengers; or</p> <p>(b) has to the rear of the driver's seat roofed accommodation fitted with side windows, or is constructed or adapted for the fitting of side windows; but does not include—</p> <p>(i) vehicle capable of accommodating only one person;</p> <p>(ii) vehicle constructed or adapted for carrying twelve or more persons;</p> <p>(iii) vehicle of not less than three tons unladen weight;</p> <p>(iv) a vehicle constructed for a special purpose other than the carriage of persons and having no accommodation for carrying persons other than such as is incidental to that purpose.</p> <p>(3) Sub-regulation (1) of regulation 3 shall not apply to</p> <p>(a) supply of a motor car by way of letting on hire,</p> <p>(b) importation or supply of a motor car for the purposes of resale by a motor dealer.</p> <p>(4) Where a motor car is resold otherwise than at a profit, such resale shall not constitute a supply of goods for the purposes of the Act.</p>
<p>Input tax not allowed on business entertainment</p>	<p>4. (1)</p>	<p>Any tax incurred by a taxable person on business entertainment shall, unless that business entertainment is in relation to—</p> <p>(i) the original course of a business which continuously or regularly supplies entertainment for a consideration, or</p> <p>(ii) the provision to an employee of food, non alcoholic beverage, accommodation or transportation for use wholly and exclusively for the purposes of the employers business,</p> <p>be excluded from any claim, deduction or credit made under section 16 of the Act.</p> <p>(2) For the purposes of this regulation "business entertainment" means a provision to—</p> <p>(a) a customer or prospective customer, of any form of food, beverages, tobacco, accommodation, amusement, recreation, transportation or hospitality;</p> <p>(b) an employee, of any form of alcoholic beverage, tobacco, amusement, recreation or hospitality;</p>
<p>Tax paid prior to registration or after</p>	<p>5(1)</p>	<p>Where a person not registered for the purposes of the Act—</p>

<p>cancellation of registration</p>		<p>(a) imports any goods, or any goods or services are supplied to him for the purpose of any business carried on or to be carried on by him;</p> <p>(b) becomes registered afterwards and continues carrying on that business;</p> <p>that person may claim input tax credit or deduction in respect of those goods or service, if—</p> <p>(i) the goods were in the ownership and possession of that person on the date of registration, and such goods were received not more than six months prior to the registration; or</p> <p>(iii) the services were received not more than six months prior to registration.</p> <p>(2) Where services are supplied to a person who was previously registered under the Act, and those supplies are made for purposes directly connected with the reason his registration was cancelled, that person may claim repayment of the input tax in respect of the those services if the services were received within six months of the cancellation of the registration.</p> <p>(3) A person to whom sub regulation (2) applies shall retain and produce all records, invoices, accounts and any other information prescribed in the Act or the Regulations in relation to the supplies or importations.</p> <p>(4) A claim under this regulation shall be allowed only to the extent and subject to conditions prescribed under section 16 of the Act.</p> <p>(5) Without limiting the generality of subregulation (4)—</p> <p>(a) a claim shall be disallowed where the registered person is not in possession of documentary evidence as prescribed under subsection (4) of section 16 of the Act;</p> <p>(b) a claim may be partly disallowed by rules of apportionment prescribed under regulation 6 and 7 and applicable to the supplier's business.</p>
<p>Claim of input tax paid in Zanzibar</p>	<p>6(1)</p>	<p>Any claim of input tax by a taxable person in Mainland Tanzania for supplies purchased from a taxable person in Tanzania Zanzibar shall in addition to the tax invoice issued by the supplier be supported by a transfer form duly completed by the claimant and authenticated by the Zanzibar Treasury that the goods have actually been exported to Mainland Tanzania.</p>
<p>Apportionment of input tax</p>	<p>7.(1)</p> <p>(2)</p>	<p>Where the supplies effected by a registered person comprise both taxable and exempt supplies, one of the partial exemption methods described in regulation 8 shall be used to determine the proper attribution.</p> <p>Where a registered person chooses one of the partial exemption methods in any return lodged the same method shall be used thereafter in any return lodged in</p>

		<p>Step 3. Multiply the proportion obtained in Step 2 by the amount in category C in Step 1.</p> <p>(4) The amount which may be claimed as deduction or credit for the Prescribed accounting period is the amount obtained in step 3 together with the amount of input tax in Category A and in step 1 described in subregulation 3 of this regulation.</p>
Tax invoices	<p>9(1) A tax invoice shall prominently bear the words "tax invoice" on its face.</p> <p>(2) A tax invoice for the supply of goods or services shall include the following particulars, namely—</p> <ul style="list-style-type: none"> (a) the taxable person's name, address, TIN and VAT registration number; (b) the date of supply; (c) the number of the invoice taken from a consecutive series; (d) the customer's name, address, TIN and his VAT registration number; (e) a description sufficient to identify the goods or services supplied which includes the quantity of goods or the extent of services supplied, tax exclusive price for each description of goods or services supplied, rate of tax; and (f) the rate of any discount <p>(3) A tax invoice shall indicate—</p> <ul style="list-style-type: none"> (i) the total charge exclusive of tax; (ii) the total tax charged; and (iii) the total charge inclusive of tax. 	
Issue of tax invoice	<p>10(1) A registered taxable person shall issue a tax invoice—</p> <ul style="list-style-type: none"> (a) to a customer who is a taxable person in respect of any taxable supply of goods or services to that customer; (b) upon request by a customer who is not a taxable person, in respect of any taxable supply, at the time of supply or not later than fourteen days after the time of supply 	
Tax credit notes	<p>11(1) A registered taxable person who has issued a tax invoice in respect of a taxable supply shall, unless the Commissioner otherwise allows, issue a credit note if—</p> <ul style="list-style-type: none"> (a) the supply is cancelled; (b) the goods are returned to the registered taxable person; 	

<p>Inserted GN196 Aug 2003</p>		<p>(c) the value of the supply is reduced; (d) the Commissioner is satisfied that no payment of any kind has been received, as a result of which the debt has been declared as a bad debt.</p> <p>(2) The credit note mentioned under subregulation (1) shall contain—</p> <p>(a) the particulars prescribed for tax invoices; (b) the amount of credit; (c) a statement of the reason for credit.</p>
<p>Accounts and records</p>	<p>12(1)</p>	<p>Unless the Commissioner authorises otherwise in writing, every taxable person shall, in addition to any further requirements made under section 25 of the Act, keep the following records of his business activities —</p> <p>(a) a VAT account, recording for each prescribed accounting period total VAT on outputs and inputs together with the net difference to be paid to or reclaimed from the Commissioner; (b) a record of each supply made related to the appropriate tax invoice or any other invoice; (c) a record of the value of each supply made excluding VAT, together with the VAT charged on each supply unless the taxable person in using one of the methods described in Regulation 13 in which case, the taxable person shall keep the records required under that regulation; (d) a record of each supply received related to the appropriate tax invoice, any other invoice or import document; (e) a record of the value of each supply received excluding VAT and the VAT charged; (f) a record of the total VAT recorded in paragraphs (c) and (e) for each prescribed accounting period;</p> <p>(2) For each prescribed accounting period the totals of VAT at paragraphs (c), (e) and (h) of sub regulation (1) of this Regulation shall be transferred to the VAT account kept in accordance with paragraph (a) of subregulation (1) of this regulation.</p>
<p>Tax returns</p>	<p>13.</p>	<p>A taxable person shall ensure that his tax return, in the form set out as VAT 201 in the Schedule to the Regulations, is lodged at the tax office for the address at which he is registered for the purposes of the Act, within the time prescribed in section 26 of the Act.</p>
<p>Special method of accounting for output tax Amended GN284 Sept</p>	<p>14(1)</p>	<p>Every retailer shall, for the purposes of accounting for tax:</p> <p>(a) keep a permanent record in a form and manner approved by the Commissioner General; using a "Cash Register" of a daily retail supplies</p>

<p>2003</p> <p>Inserted GN284 Sept 2003</p>	<p>transaction list;</p> <p>(b) record the total of the daily retail supplies transaction list for the day herein referred to as "The Daily Gross Takings".</p> <p>(2) Where the Commissioner General is satisfied that there is a good reason to do so for the protection of revenue, he may direct any person other than a retailer to use a "Cash Register".</p> <p>(3) A taxable person shall keep a record of all payments received each day in respect of supplies of goods and services, in a form and manner approved by the Commissioner.</p> <p>(4) The record referred to in subregulation (2) shall include a record of payments received in respect of the following supplies made—</p> <p>by the taxable person which were taxable before he began to account for tax under these Regulations; or;</p> <p>before the tax commencement date in any relevant accounting period which would have been taxable; or</p> <p>(5) A registered taxable person may choose to use the first method described in subregulation (7) or the second method described in subregulation (8) and the method chosen by the taxable person shall continue to be used in any return lodged in the same accounting year.</p> <p>(6) A taxable person using the second method of calculation under Subregulation (8) shall at the end of each accounting year, recalculate his output tax in respect of supplies made during that accounting year, and shall on his next tax return adjust any difference in output tax previously attributed to taxable supplies during that year.</p> <p>(7) Upon occurrence of any of the following events, namely—</p> <p>(a) cancellation of registration;</p> <p>(b) a change in the rate of tax</p> <p>(c) a change in the liability for tax that affects the business; or</p> <p>(d) cessation of the use of the chosen method of calculating output tax,</p> <p>a taxable person, using the second method of calculation under sub-regulation (8), shall recalculate the output tax in respect of the period commencing at the beginning of the accounting year and ending on the date of the occurrence of any of the said events and within thirty days after the date of that event, include any adjustment to the output tax previously attributed to taxable supplies during that period on his VAT return for the next prescribed accounting period.</p> <p>(8) The first method of calculating output tax shall be as follows—</p>
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		<p>Step 1. Separate gross takings at the point of sale between taxable and exempt Supplies.</p> <p>Step 2. Each day at the close of business total the records of gross takings.</p> <p>Step 3. At the end of the prescribed accounting period, from the records of taxable daily gross takings, calculate the tax using the tax fraction for the rate of tax in force and include the amount on the VAT return for that period.</p> <p>(9) The second method of calculating output tax shall be as follows—</p> <p>Step 1. Record total gross takings for each day.</p> <p>Step 2. At the end of each prescribed accounting period, total daily gross takings for that period.</p> <p>Step 3. Allocate those gross takings to taxable supplies in the same proportion that the value of taxable purchases made in the period bears to the value of total purchases in that period.</p> <p>Step 4. From the gross takings allocated to taxable supplies calculate the tax for the Prescribed accounting period using the tax fraction for rate tax in force and include the amount on the VAT return for the period.</p> <p>(10) For the purposes of subregulations (7) and (8) of this regulation tax fraction means the fraction calculated in accordance with the formula,</p> $\frac{r}{r + 100}$ <p>in which "r" is the rate of the tax in force.</p>
<p>Change of rate of tax or liability</p>	<p>15.</p>	<p>In the event of a change in the rate of tax or liability to tax during a prescribed accounting period, the calculation in sub-regulation 7 and 8 of regulation 13 shall be made at the close of business on the day of change and also at the close of business on the last day of the prescribed accounting period, using the rate of tax and the liability to tax in force on each respective day.</p>

Dar es Salaam,
16th April, 1998

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Minister for Finance