

VAT e-filing system

TAX ALERT-FEBRUARY 2022

In line with its Vision "To increase domestic revenue through enhancement of voluntary tax compliance" and its Mission Statement "We make it easy to pay tax and make lives better" the Tanzania Revenue Authority (TRA) has embarked on a number of measures to promote voluntary tax compliance, collection and administration of various taxes and imparting taxpayers with convenient ways to execute their tax obligations.

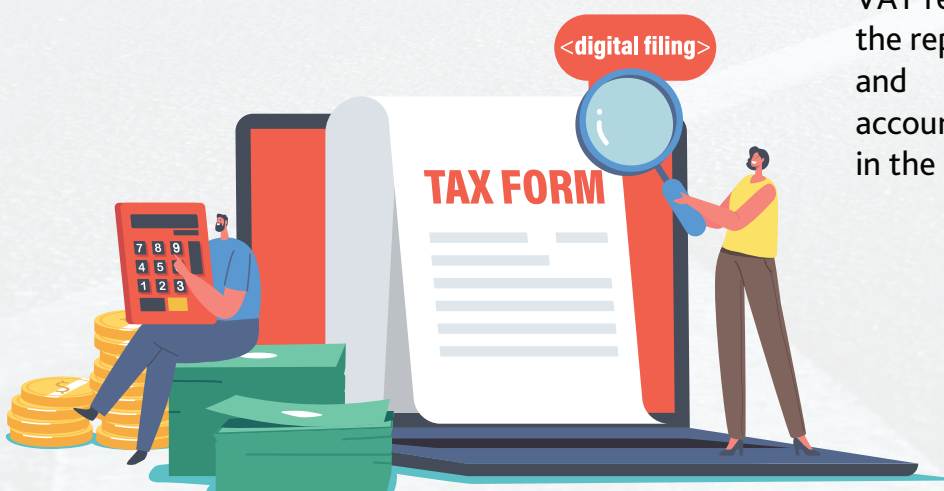
The TRA issued a public notice on 3 February 2022 regarding Introduction of Upgraded VAT Electronic Filing System. The upgrade of the VAT filing system ("upgraded system") aims at enhanced user experience where the taxpayer will use single e-filing account contrary to the current practice where VAT filing uses a separate account. The upgrade comes with a view to improve taxpayer's VAT return filing through simplified filing processes. The upgraded VAT e-filing system shall be rolled out effectively from 1st March 2022 and therefore will become operational for VAT return for the month of March 2020 that are due for submission on or before 20th April 2022.

The upgraded VAT e-filing system is expected to address a number of issues faced by taxpayers when filing their VAT returns, including but not limited to the following:

1. Simplified filling of returns whereby the taxpayer will only key in a Verification Code for the purchases made. This is a simplification of the current practice where the taxpayer was required to key in more details like supplier's name, VAT registration number (VRN), Tax Identification Number (TIN), tax invoice number, date of invoice, amount of purchase and VAT involved.
2. The upgraded system enables the users to effect adjustments resulting from occurrence of adjusting events as provided for in the tax law. This upgrade simplifies the current practice where the taxpayer has to write a letter to the Commissioner to notify him of the occurrence of the adjusting events.
3. The upgraded system enables automatic apportionment of input tax for eligible taxpayers.
4. The upgraded system will issue an acknowledgement of receipt of return and an assessment of tax to the taxpayer immediately upon accomplishment of filing process

The upgraded system comes with improved operational features to increase convenience and enhance compliance among users. The key operational features that are worth noting includes the following:

1. The system will be accessed through the TRA website (www.tra.go.tz) using the same e-filing account used for other tax returns like PAYE, SDL and Returns of Income.
2. The system will only accept EFD receipts/invoices with Verification Code for input tax claim. Accordingly, receipts without Verification Code will automatically be rejected effective from the return of the month of March 2022.
3. The system will only accept EFD receipts/invoices with buyer's TIN for input tax claim. Therefore, receipts without buyer's TIN shall be automatically rejected with effect from March 2022 return
4. The system shall only accept input tax claims on imports that are supported by valid TANSAD
5. The system shall automatically make verification of validity of receipts/invoices or TANSAD
6. The system shall not automatically carry forward the Negative Net Amount (Repayment position) for February 2022 VAT return existing in the current unless the repayment amount is verified by TRA and subsequently allowed to be accounted for in March 2022 VAT return in the new system.



The upgraded system is not only expected to make the filing process efficient but also expected to expedite the VAT refund process as the system is expected to verify the data before filing

In order to comply with the requirements of the new system and therefore avoid any inconveniences, VAT registered traders are urged to observe the following:

1. All traders should upgrade their EFD machines to Protocol 2.1 in order to issue receipts/invoices with Verification Codes. Receipts issued by EFD machines not upgraded to protocol 2.1 shall not be allowed to claim Input tax;
2. All tax payers will appoint a declarant that will be responsible for all e-filing activities.
3. Because the repayment position will not be automatically carried forward, all traders with Negative Net Amount (Repayment position) for the VAT return for the month of February 2022 should apply for VAT refund (for those eligible) or notify the respective TRA offices of their positions for audit or verification of that position before the same is allowed to be carried forward in respective tax return in the new system;
4. Traders should avoid using invalid receipts/invoices or TANSAD in order to avoid any consequences and inconveniences that may arise during filing process and after and
5. In making payments of VAT, taxpayers must use the Tax Debit Numbers from the tax assessments issue.



With the above positives, we foresee challenges in the implementation/migration to the new system, especially regarding carrying forward of negative net amounts for February 2022.

We do expect some practical challenges and therefore taxpayers with negative balances should proactively engage their TRA office for any necessary further clarification

With the current backlog on the VAT refunds outstanding due to lack of resources, it is unclear as to why TRA would impose taxpayers to lodge for VAT refund and how long it would take for TRA to verify/process the refunds.

For taxpayers who do not intend to lodge a VAT refund, TRA has mandated taxpayers to notify such negative net amounts for verification purposes. It remains to be seen whether TRA will issue any further regulations on the verification exercise and how long it would take to verify the negative net amounts and reflect the same in the subsequent return.

Furthermore, the provisions of Section 81(3) of VAT Act, 2014. I quote,

Notwithstanding subsection (2), a taxable person may choose to continue carrying an unadjusted amount forward and applying it in accordance with subsection (1) until such time as the person applies for a refund of the amount in accordance with subsection (2).

This section accords a registered persons with an option to continue carrying forward negative net amounts until the person applies for a refund of such negative net amounts. Therefore, such imposition on the upgraded system contradicts the requirement of the VAT Act.

In addition to the above, the TRA has explicitly stated that only input VAT backed by receipts having a Verification Code will be accepted when filing the returns. It, therefore, remains to be seen as to how the TRA will factor-in input VAT incurred on payments supported with a Government control number.

If you require any assistance with respect to complying with the requirements of the upgraded system? Do not hesitate to contact us.



FOR FURTHER INFORMATION:

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