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Session objectives

- Definition of tax
- Persons obliged / eligible pay for Taxes
- Types taxes
- Compulsory Registration – Historic & Future tests
- Advantages and disadvantages of taxes in business
- Registration procedure
- Tax planning , importance
- Digital taxes.

Tax

- Compulsory levy by government to business; Resident or Non resident

Types of taxes

- Corporation tax
- LED- *telecom companies , digital tax*
- Import duty
- PAYE
- Stamp duty
- VAT
- WHT

What is a TIN?

- A TIN is a unique identifier given to a taxpayer on registration.
- Tin can either be

a)Individual TIN-persons

b)Non- Individual TIN-company

Purpose of TIN Registration

- The TIN helps a person to pay for taxes
- Practically it would not be possible for Government (URA) to collect tax from all consumers.

- For this reason, the VAT Act provides that persons dealing in taxable goods and services should be registered to collect tax from their consumers and thereafter account for it to Gov’t (URA).

When to file

Depending on which taxes you registered for, there are different times to file.

- VAT, LED, PAYE, WHT are filled monthly with its deadline on 15th of the following month
- Income tax is filled annually with the deadline 6 months after the end of the accounting year.

Compulsory Registration:

The following are obliged to register for VAT;

a) Persons whose taxable annual turnover exceeds the statutory threshold.

   The current annual threshold is 150 million. *S.7(2) (effective July 2015).*

- However this obligation to register is determined on a **quarterly basis** using either;
  - the historic test or
  - the future test.

Historical test:

- This is provided for under *S.7(1)(a) of the VAT Act.*
- It provides that a person must apply to register **within 20 days** after a "period" of **three consecutive calendar months** if in that "period" the person's taxable supplies **exceeded a quarter of the annual threshold** (currently shs.37.5 million - *effective July 2015)*.

Future test:

- This is provided for under S.7(1)(b) of the VAT Act.

a) A person is required to apply for registration **at the beginning** of a “period” of **three consecutive calendar months** if that person expects to make taxable supplies that will **exceed a quarter of the annual threshold** (currently shs.37.5 million – *Effective July 2015*).

Effective Date of Registration

- It is the first day of the month following the month an application was made or was due which ever is earlier.

- For example if due date to apply for registration fell in month of December 2016, effective date of registration would be 1st January 2017.

Persons Obliged (Cont.)

b) National, Regional, Local or other public authorities / bodies involved in **any business activity.** *S.7(5).*

These include Government Ministries, Town /City councils, District administrations. By implication it would also include “kingdom” administrations involved in business activities.

Persons Obliged (Cont.)

- Business activities include Hall hire, Tendering of parks, markets, street parking, toilet management services, street bill board adverts and disposal of assets, among others.
- These should apply for registration on the **date they start** to deal in business activities.
- Effective date of registration is 1st day of the month following the month of application

Voluntary Registration: *S.7(4).*

- This is by persons who wish to register for VAT but whose taxable turnover is below the threshold.

Requirements for Voluntary Registration:

- Place of abode or business premises.
- Ability to keep proper accounting / business records
- Ability to submit regular and reliable tax returns.
- Applicant must be fit and proper.

Voluntary Registration: *S.7(4).*

- ***Note: The last three depend on the commissioner general's judgment.***
- Application date depends on the volunteer's (taxpayer's) choice.
- Effective date of registration is 1^{st} day of the month following the month of application

Advantages of Voluntary Registration

- One dealing in zero rated or mostly zero rated supplies would be able to claim input tax credit and cash refunds.
- Business opportunities with big firms. Big firms tend to prefer dealing with fellow VAT registered firms
- Risk reduction on penalties for not registering in time i.e. by the time one exceeds the required threshold he/she is already registered.

Advantages of Voluntary Registration (Cont.)

- For prestige: Customers and Suppliers would view the firm as a big one and reliable to deal with since they are VAT registered.
- Temporary cash problems are solved with output tax collected or refunds obtained.
- Taxpayer avoids paying domestic VAT at importation which can be an extra cost to the taxpayer because it is not claimable.

Disadvantages and Implications of Voluntary Registration.

- The registered person must go through the rigorous exercise of preparing and filing monthly tax returns. Failure of which they incur penalties.
- Being small in nature, some incur extra cost of an accountant to compute the taxes.
- Incur the cost of printing tax invoices since VAT registered persons must issue proper tax invoice as per the VAT Act.

REGISTRATION PROCESS

- The process involves the following major activities or steps:

1. **Filling and submission of Application Forms.**

- This is made on forms prescribed and provided by the Commissioner General to applicants. *S.8(1).*

REGISTRATION PROCESS

3. Certificate of Registration: S.8(2) & (4)

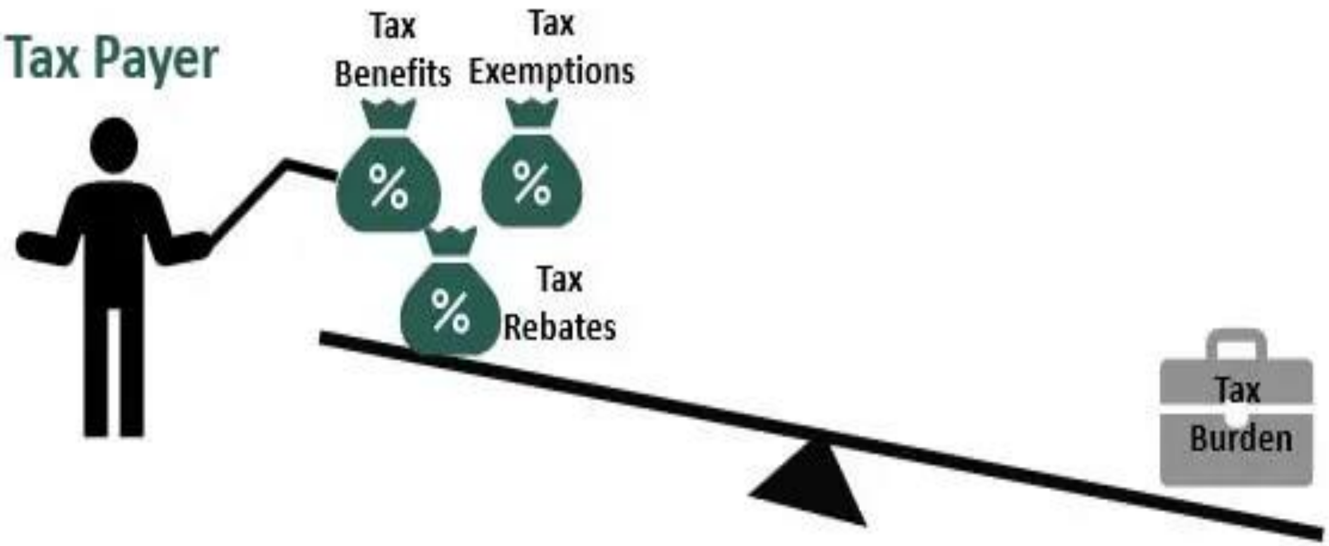
- Upon finding the person eligible to register, the CG issues the person with the Certificate of Registration.

- The certificate should state the following:
  - Name of the person
  - TIN
  - Effective date of registration.

- The CG may refuse to register a person who has applied. Where this is done, the CG is supposed to communicate to the person in writing within one month from receipt of the person's application. *S.8(7).*

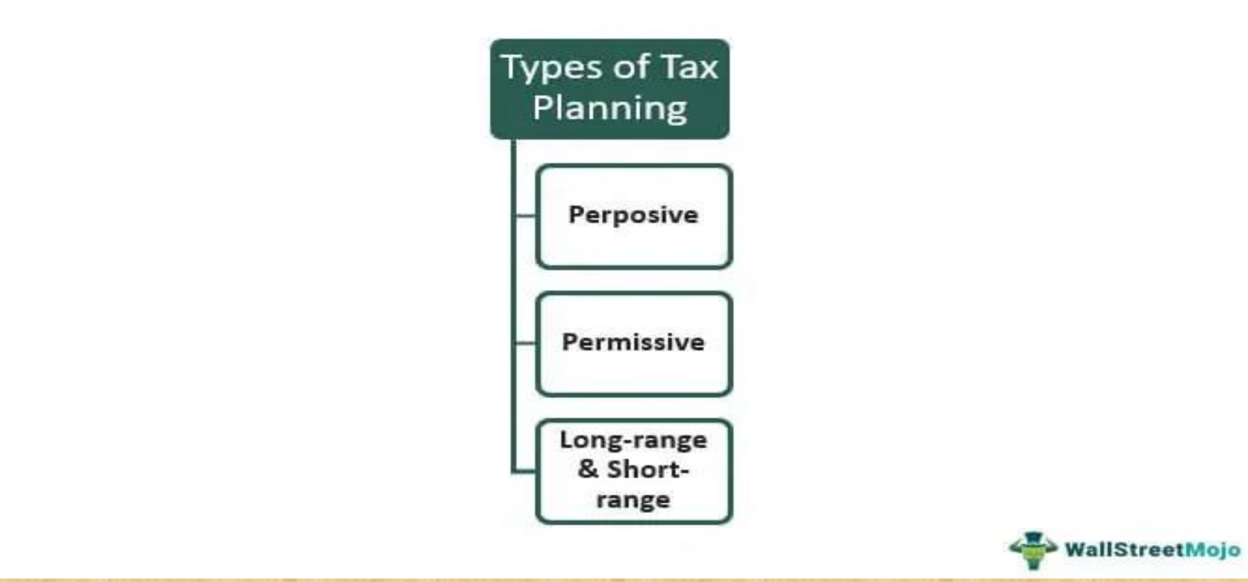
Tax Planning

Tax planning is a legitimate strategy to lessen the tax burden through available tax rebates, exemptions, and benefits.



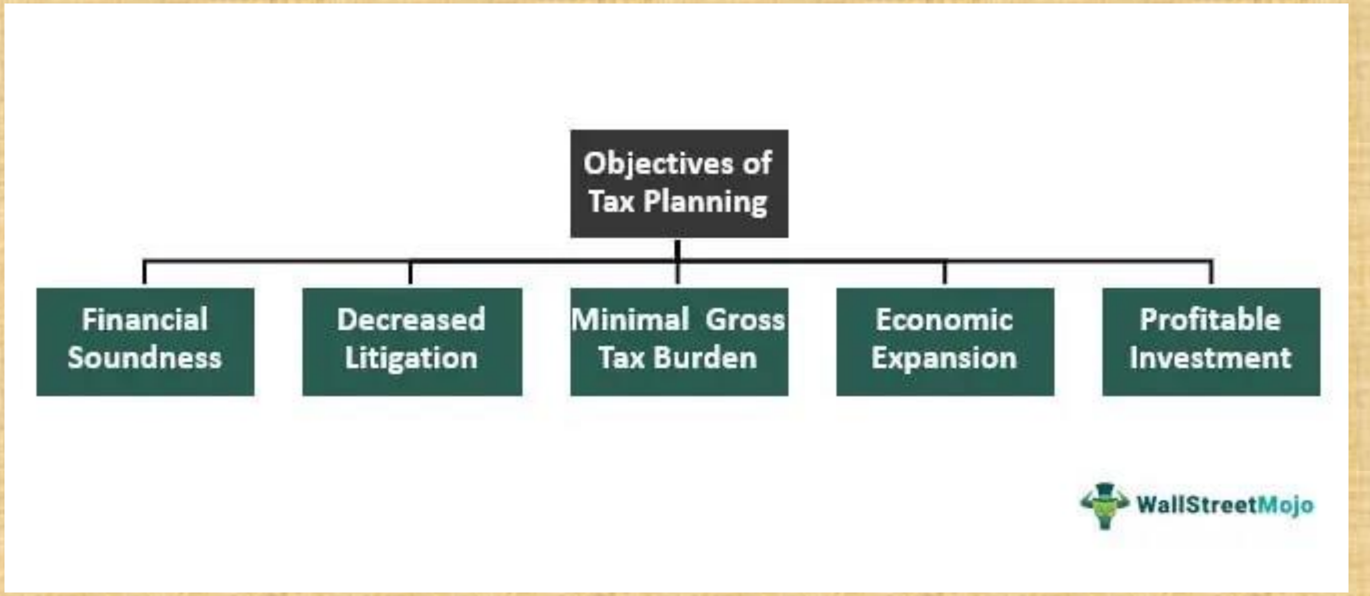
Impact of tax planning

- To deal with the impact of direct and indirect taxes.
- To ensure saving on taxes while conforming to legal obligations
- To benefit from tax exemptions, deductions and rebates.



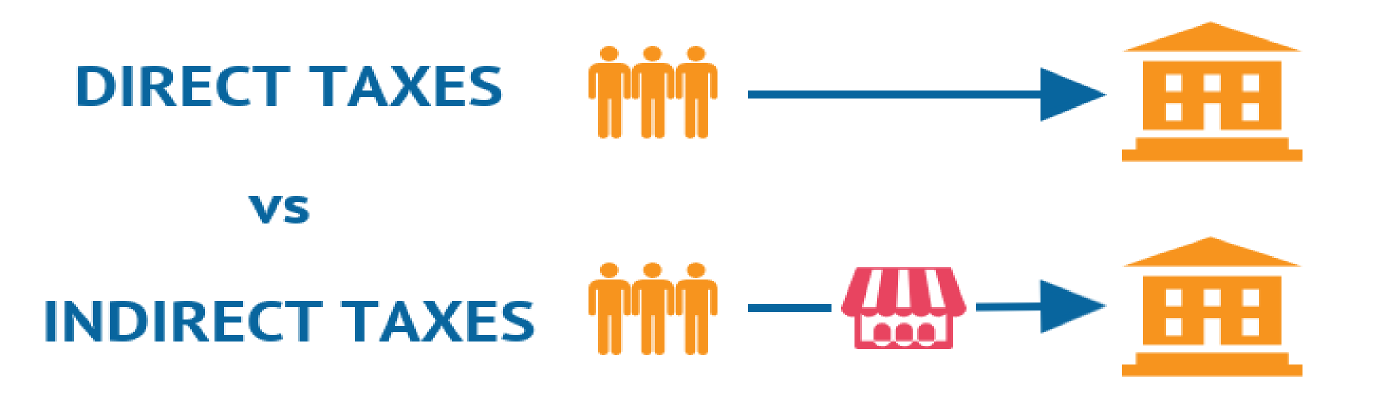
Tax planning is a legal approach to lower the tax burden- purposive, permissive and short –long range

Objectives of Tax Planning



Digital Tax

- Effective date 1st July 2023.
- Rate 1.5%. It was prematurely introduced in 2020 at
- It will be reintroduced in July 2023



Thank You