

# ATAF VAT TC WORKSHOP

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## Major Players in the construction Industry

1. Main Contractors and sub-contractors
2. Suppliers of raw materials
3. Suppliers of equipment
4. Suppliers of electrical and plumbing services
5. Architect, engineers and quantity surveyors
6. Suppliers of Hardware.

- Refunds are made to Non VAT registered persons in specific cases.
- Whereas repayment is made to VAT Registered persons under three circumstances:
  - (a) Input tax suffered on acquisition of capital goods amounting to more than Rs100 000;
  - (b) The VAT registered person is making zero rated supplies;
  - (c) Where there is no possibility to recover the input tax suffered.

# Refund

- Refund of VAT to persons on residential building, house or apartments.
- Subject to certain conditions to be satisfied, any person can make an application for a refund of VAT on the construction of
  - (a) residential building
  - (b) purchase of a residential apartment
  - (c) house from a property developer

# Repayment

- No specific provisions in the VAT legislation regarding repayment to players in the construction industry.
- The general rule applies and any excess amount of input tax over output tax in a given period is carried forward to be offset against output tax in the next taxable period.

# Repayment

1. Repayment Audit is important to ensure that:
  - (i) Taxpayers fraudulently do not benefit from VAT repayment.
  - (ii) The right quantum is repaid to the taxpayers in accordance with the provision of the VAT legislations
2. Repayment fraud is committed by way of
  - (i) Fake invoices
  - (ii) Collusion between officers and taxpayers
3. Big repayment amount should be cross checked with the supplier to ensure that the sales is genuine and the corresponding output tax has been declared.  
Repayment should be verified and cross verified at various levels to avoid the risk of repayment over paid.

# Compliance

- Being one of the booming sectors of the economy, the construction sector are often subject to VAT audit.
- High risk of VAT fraud where they deal in cash resulting in under-declaration of supplies or failure to register for VAT by deliberately under- declaring their supplies
  - Sub contractors and suppliers of hardware

# Compliance

- Other professional like architects, engineers or Quantity surveyors are compulsorily required to be registered.
- Normally big contractors are compliant as they have an internal audit within the organisation and they are also subject to external audit by well established Audit Firm



- VAT Registered persons are required to submit along with their VAT returns, a VAT Annex in which they have to declare all the supplies they have made to VAT Registered persons.
- VAT Annex is a valuable source of information for cross checking.
- It enables to initiate or consolidate a VAT audit on the basis of information available therein

- Another source of cross checking compliance is third party circularization.
- The laws also provide for obtaining bank information directly from banking institution.

- Private hospital
- Nursing home
- Residential care home
- Medical research
- Tertiary institutions
- Lessor of building used to provide tertiary education
- Social housing
- Marina
- Smart cities

# Your Time Now

- Any Question?



*Thank you*