April 21, 2014
(Revised May 4, 2014)

Rule 18: Analysis and Recommendation

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I. Introduction

The Zambian administrative rule for claiming VAT export refunds is examined below. In particular, I critically evaluate three provisions of Rule 18 which requires proof of export other than documents from Zambian authorities. I compared these rules to requirements in other jurisdictions and found that no comparable rules are imposed. In addition, the rules, as stated, are administratively burdensome and largely counterproductive. Recommendations include eliminating the offending provisions from Rule 18 and using released administrative resources to increase the effectiveness of the domestic verification processes.

II. Rule 18: Zambian Proof of Export

Proof of export from Zambia for value added tax (VAT) purposes is defined in Paragraph 18 (so-called Rule 18) of the 1997 "The Value Added Tax General Rules." Paragraph 18 of the 1997 rules is reproduced in Table 1. The 1997 rules are cited because some of the policies at issue between the Government and the mining industry were established in 1997. Three points are noted about the 1997 rules. First, the Commissioner-General has the power to override Rule 18 by replacing or changing the requirements in particular facts and circumstances.[1] Second, Rule 18 has two parts. The actual goods exported are addressed in subparagraph (1) of Rule 18 while supplies "directly linked" to exports are covered in subparagraph (2). I understand supplies directly linked to exports to be goods and services, like domestic transportation services, packaging, pallets, and other items that are either physically exported or are necessary supplies for exports.[2]

Finally, even in 1997, there were requirements inconsistent with good VAT practice. In particular, exporters were required to provide proof that the goods were both exported from Zambia and imported into another country (see 18(1)), as well as providing proof of payment.

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[1] I understand "Commissioner-General" to be the Commissioner-General of the Zambia Revenue Authority.

[2] For instance, a VAT taxpayer may produce radios for export. The VAT treatment of the radios would be covered under subparagraph (1). Suppose that in order to export the radios, the same taxpayer packs the radios on to pallets with padding sufficient to ensure safe delivery and uses his own trucks to ship the goods from the manufacturing plant to either the border or to a destination in another country. The pallets, padding, and transportation services are also "exports," even though those goods and services are not the good exported for various recording purposes such as balance of payments. Such goods and services are covered by subparagraph (2). I believe that a modern VAT treatment would make subparagraph (2) obsolete. I understand subparagraph (2) to be an attempt to measure the total fob border value of the export (or cif import value into another country perhaps). The export value should be irrelevant for VAT purposes because exports are zero rated. That is, the rate can be multiplied by any value to yield zero. In addition, I understand that the issues of contention between the Government and the mining industry are about refunds for inputs, not VAT collected on exports. Thus, the export value is immaterial for a discussion of such issues. The VAT treatment reflected in the 1997 law is similar to rules used for duty drawback schemes.

Rule 18 was further modified in 2013 when two additional requirements were introduced (see Table 2). First, a VAT invoice for the export must now be generated. Second, the funds received from export sales must somehow be recorded as received by the exporter's domestic bank account.

Both the 1997 rule and the 2013 revision are noted here because some, if not most, of the contentious issues described to me related to the application of Paragraph 18 (1) (b) should have been longstanding for all VAT taxpayers. I understand that lack of application may be one reason why the issues may not have been contentious until recently. As evidenced by the 3 January 2013 Letter of the Commissioner-General to certain mining companies, the Zambia Revenue Authority (ZRA) may have recently begun broader application of Rule 18. Only the receipt of funds requirement is specifically mentioned in the letter, but the entire relevant section is noted in the letter and attached.[3]

III. International Comparisons

Some international comparisons of particular VAT rules are provided in Table 3. Countries included are:

- Australia
- Canada
- Chile
- The European Union (general rules)
- New Zealand
- Namibia
- Peru
- Tanzania
- United Kingdom.

Countries were chosen either because of specific country characteristics or because of claims made about particular export requirements. Australia, Canada, Chile, and Peru are mining countries. The World Bank requested Namibia, Tanzania, and the United Kingdom because of claims that export verification procedures are similar to those imposed by Rule 18. New Zealand was selected because the New Zealand VAT has been a model for many countries and the EU rules may be interpreted to reflect more modern updated treatment.

Much information is included in Table 3, but the most important row for current purposes is the row entitled: "What proof is required for exports?" Although actual practice varies, all countries, except New Zealand, are similar to Zambia in the sense that some type of explicit verification is required as proof of export. The documentation is generally related to customs documents, perhaps verified by a customs or tax official. VAT invoices themselves appear to be required only in the EU, Chile (where the invoice is issued by the customs department), and Namibia.

[3]Letter from Commissioner-General to Konkola Copper Mines dated 3rd January 2013.

Of particular relevance to the issue at hand, I found that:[4]

a. No country requires proof that the goods were actually imported into another country;

b. No country requires proof of payment; and

c. No country requires that the funds received from sale are deposited in the domestic accounts of the taxpayer.

IV. Analysis

a. Purpose of VAT

The purpose of the VAT is to impose, on a destination basis, a tax on domestic consumption. If the VAT is imposed at a flat rate, then the relative price of all taxed goods and services should increase by the VAT rate when goods are sold to the ultimate consumers. The VAT is administered via a staged invoice-credit system. This system is intended to enable the state to capture part of the domestic value added at each stage of production and distribution while ensuring that VAT does not become part of the producer's cost. The destination basis of the VAT is achieved by taxing imports and zero-rating exports, leaving a tax only on domestic citizens at the time of final consumption.

As a practical matter, the VAT is imposed at the time of supply. Most VAT laws define the time of supply as the time of importation for imports, at the time of title transfer for domestic production, and at the time of exportation for exports. I believe the VAT in Zambia meets these same general conditions.

Given the destination basis of the VAT, it is important to note that the value of the export is irrelevant[5] for VAT purposes and that no trade need take place. All that is required is that the goods and services are exported. For instance, a tourist may buy goods domestically while visiting but may receive a refund when they transport the goods over the border (export) as they leave the country. There has been no export sale and the value of the exported good is not a consideration. The identical policy should apply to all exported goods and services. Supply is "export," not import into another country, transfer of title, receipt of payment, or receipt of foreign exchange. Such conditions are irrelevant for VAT purposes. To take an extreme example, a copper miner may ship copper concentrate out of Zambia, dump the copper into the ocean, and still qualify for a refund on VAT accrued on inputs. As long as the copper is exported, the zero rate should apply because, by definition, no domestic consumption has occurred.

An additional point is that the VAT is an accrual-based tax. That is, the receipt of cash at a date after the date of supply (import, export, or domestic trade) should not be relevant for determining either supply or the timing of the VAT payment (or refund).

[4] It is important to note that my search was restricted to publicly-available documents available to researchers in the United States. There may be some letter rulings or other rulings that contradict the results cited here. That said, I am confident that the statements made in the text are valid for almost all developed and Latin American economies.

[5] Export values may be relevant for royalty and profits tax purposes, as well as balance of payments purposes, but a separate administrative procedure should be used to derive values relative to such purposes.

b. Administrative Issues Relative to the Application of Rule 18

Subparagraphs (b), (d), and (e) are the offending elements of Rule 18. Some administrative issues related to the application of these provisions are discussed here. It is important to note that, in my view, the offending provisions should be deleted even if administration were relatively costless. The fact that the provisions are administratively burdensome to both the tax authorities and the taxpayers only increases the benefits from their removal.

i. Proof of Importation

Subparagraph (b) requires proof of importation into a country other than Zambia. The simplest situation to administer is the case where the exporter and the importer are the same person. In this case, no trade takes place until the goods are physically in another jurisdiction. The exporter then either uses the goods in the country of destination or delivers the goods to another person in the importing country. That exporter-importer has control over the goods for the entire period of transit and may be in possession of documents pertaining to both the export from Zambia and import into another country. The administrative burden is now on the Zambian tax authorities to verify the import documentation. The tax administration, I would argue, is not capable of such verification without an exchange of information agreement with each importing country. For instance, if an unscrupulous domestic taxpayer can forge export documents and bribe customs officials in Zambia to obtain export clearance, then there is every reason to believe that import documents into another country can be forged. The tax administration may have no basis to question the forged import documents. Forging import documents is an additional cost for corrupt practices, but given computer generation of documents and other methods, the costs may not be prohibitive.

Export to the same entity is not the only case and two more situations are described here.

1. Sale (Title Transfer) at Time of Export

Consider the following example. A miner produces and transports output to the border under a contract stipulating that the sale is consummated at the time the goods are loaded either on the purchaser's means of transport or on a transport means designated by the purchaser. It is now the third party, who is not a Zambian taxpayer, that imports into another country. Thus, neither the mining producer nor the tax authority can obtain proof of importation if the third party is neither a resident nor a taxpayer in Zambia.

2. Sale (Title Transfer) before Time of Export

It is also possible that sales and title transfers can take place before goods are exported. There are two situations. First, the sale may be to another Zambian VAT taxpayer. In this case, the miner charges VAT and the purchaser has to obtain a zero rate when the goods are exported. Second, the purchaser may not be a Zambian VAT taxpayer. In this case, the sale is completed and title is transferred without the goods leaving the Zambian taxpayer's place of business or being shipped to a warehouse or other holding facility in preparation for exportation. In effect, title is transferred to a person not subject to Zambian tax jurisdiction so effectively the goods become bonded for tax purposes.[6] The Zambian taxpayer can obtain export verification but, again, it is impossible for either the Zambian taxpayer or the tax administrator to verify that the goods have arrived in another jurisdiction.

[6] Some countries, Australia for instance, require exportation within a stipulated time period in such cases.

Such examples are probably the rule rather than the exception for most exports, including mining, because most trade is not controlled by a Zambian entity (or VAT taxpayer). In the case of large multinational firms, there may be trade between subsidiaries, but the sale to a subsidiary that is not a Zambian taxpayer, such as a trading company, is beyond Zambia's jurisdiction. Such trade is common if the multinational enterprise has offshore marketing and distribution entities. Thus, neither the Zambian subsidiary nor the Government has recourse to proof of importation. In addition, the location of the purchaser does not necessarily indicate the country of importation. For instance, trading and marketing subsidiaries can be established in tax haven countries for tax reasons. This means that a Zambian taxpayer can sell to a related party organized in the British Virgin Islands and have no idea where the goods are really imported.

In summary, I believe application of the proof of importation rule is cumbersome at best and may be impossible to administer for most taxpayers, mining firms included. In addition, the benefit of such verification is questionable if fraud is possible and the tax authorities have no way to verify such paperwork.

ii. Proof of Payment

Proof of payment may convert the VAT from an accrual to a cash basis. Payment can be made before export (advanced payment), at the time of export, or after the goods have been exported (deferred payment). It is interesting to note that this treatment is effectively a system where inputs are taxed on accrual but exports are taxed on a cash basis. Thus, it is possible to have a situation where the VAT on inputs should be refunded before the output is ever zero rated, absent the proof of export rule. That is, the taxpayer should receive input credits at the time of supply, not payment, so a situation of surplus credits arises in cases where sales are made on account with cash being realized at a later date.

Difficulties are apparent with this requirement. For instance, if an entity exports goods to itself, then no sale takes place and there is no payment. Of course, it may be possible to generate a payment receipt, but with no benefit to the state because the tax administration cannot verify the payment.

More importantly, a shift to a cash basis means that the tax administration's paperwork is doubled for such transactions. This is true because the tax administration must verify both that a supply has taken place and that the payment is made when the payment occurs at a different point in time, either before or after the supply occurs. One reason why the VAT is on an accrual basis is that such matching is not necessary with the VAT invoice as the basis of both payments and credits. In the case of proof of payments for exports, the VAT invoice (or proof of export) must be matched with the proof of payment. This is a cumbersome task in the best situations but impossible in cases where sales are conducted offshore via marketing firms or subsidiaries.

Again, there are only increased costs for compliant taxpayers with little means for the tax administration to detect fraud, particularly when manufacturer payment receipts are issued by persons beyond Zambia's jurisdiction.

iii. Proof of Foreign Exchange Clearance

Proof of deposit of foreign exchange in a domestic account is the third requirement. This means that an honest taxpayer must prove the goods were exported, the goods were imported, payment was made by the purchaser, and payment was received in a Zambian bank. All of this documentation can occur at different points in time and all must be matched by shipment in order for both the tax administrator and the taxpayer to be confident of full compliance.

Deposit in domestic accounts by itself can be difficult for all but locally-owned firms who do not maintain foreign bank accounts. For instance, branches or subsidiaries of foreign firms may keep domestic accounts only for the purposes of converting foreign exchange sufficient for payment of domestic costs. In addition, domestic persons may have accounts in foreign banks that are used to finance imports so that Zambian receipt of funds is on a net-of-import basis. Thus, most foreign exchange earnings may never pass through Zambian bank accounts even when exports are from Zambia and income is Zambian source. No such requirement exists for balance of payments, tax, or other purposes so the VAT requirement is simply another layer of administrative complexity.

Most importantly, the requirement is essentially useless for tracking and VAT purposes as long as foreign exchange can be freely remitted. For instance, suppose a subsidiary of a foreign firm exports goods valued at $100 (US) to an independent third party. The parent could simply electronically transfer $100 to the domestic subsidiary's account while at the same time the subsidiary transfers $100 back to the parent company via a second electronic transfer such as a capital distribution. The VAT requirement is satisfied at the cost of two electronic transfers and there is no means to trace whether the $100 was proceeds from the export, or simply a transfer to satisfy what is in fact an arbitrary rule, because cash is fungible.

In summary, imposing rules beyond proof of export are cumbersome, counterproductive, and can be a source of additional fraud and graft. The tax authorities have few means to verify or to trace the funds generated by the additional paperwork and they must confirm and audit extra material that yields no additional information.

V. Recommendations

a. Recommendation: Eliminate subparagraphs (b), (d), and (e) from Rule 18.

I understand that Rule 18 is part of "The Value Added Tax General Rules of 1997" and is not part of the VAT legislation enacted by Parliament. I do not know the process to develop or to modify regulations, but that process should be initiated as soon as possible.

b. Recommendation: The Commissioner-General should use his discretionary power under Rule 18 to suspend subparagraphs (b), (d), and (e) until the offending subparagraphs are formally eliminated.

Nothing short of the complete elimination of the three provisions will be a satisfactory solution for either the taxpayers or the government. I believe the provisions are not in the government's interest, either in the short or long term. Government resources are currently diverted toward unproductive tasks that only delay or impede the proper functioning of the VAT, which is to promptly provide export credits, and refunds, for all goods exported from Zambia. These resources could be used to increase efforts to properly enforce the law by reducing corruption and fraud as well as increasing compliance activities.

With respect to specific mining company claims, refunds should be processed as expeditiously as possible and within one year. If necessary, the state can forgo royalty revenue and profits tax revenue by using VAT surpluses as credits. Such a program, however, should be allowed on a temporary basis only.[7]

If it is not possible to eliminate the offending provisions, then the Commissioner-General should either revise or develop a rapid export refund facility for qualified taxpayers. Under such a program, qualified taxpayers should be able to obtain full credits and refunds with proof of export only. Qualifications for the program generally include indicators of compliance such as established record keeping, financial stability, and other factors. The ZRA can develop risk-based approaches to determine those who are eligible for rapid export refunds and reduced documentation. I am not expert in the design and implementation of such programs, but experienced tax administrators can be made available to assist with development. The donors, I believe, would be willing to supply such assistance.

Finally, lack of compliance with proof of export rules appears to be one justification for the controversial provisions. Zambia should move to address these problems in a transparent manner. I recommend that donor technical assistance be made available given the importance of the issue for Zambia.

c. What is at Stake

The offending paragraphs impose a significant reporting and financial burden on honest taxpayers with little benefit for the government, other than withholding refunds which by all rights should not be held by the government. Just as importantly, the rules do not address fraud and corruption issues. If a taxpayer can bribe customs officials now or generate fraudulent claims, then it is a simple matter to either generate false receipts, which the tax administration cannot independently verify, or to bribe a corrupt official with, perhaps a relatively small, additional payment.

The current approach treats all taxpayers as potential non-compliers and, given the questionable gains combined with the administrative complexity, overall compliance can be expected to fall. In effect, the Government is abiding by neither the spirit nor the intent of the VAT law. Thus, taxpayer attitudes become confrontational and given competitive pressures, the benefits of corrupt practices increase. In effect, exporters will attempt to ensure that the cost of delays, administration, and denied refunds are offset by reductions in overall compliance and, perhaps, offsetting declines in other government revenues.

It is difficult to overstate the importance of resolving this issue for the mining sector, as well as other investors more generally. Zambia has had to tolerate a long period of low fiscal revenues from mining, both in absolute terms and relative to what would have accrued under a reasonable fiscal regime. Revenues have been low, in part, because of contractual terms imposed at a time when the mining sector was privatized and stabilization provisions have prevented the development of more balanced fiscal terms. The stabilization periods are coming to an end and there is significant potential for additional investment in the sector. Withheld export refunds probably pale in comparison to the potential revenues, in present value terms, that can accrue from a more balanced fiscal regime that can, and should in my view, be imposed as stabilization periods end and new investments become profitable. The ability to accrue such benefits, however, will depend on the ability of the government to define the

[7] I will be happy to help develop a specific proposal should it be deemed appropriate. Royalty and tax revenue should still be reported so that records are clear.

reformed contractual agenda and to get the mining industry to respond. It has been my experience that VAT issues tend to dominate discussions between investors and the government. Of course, VAT should not even be part of the agenda because mining firms who export all or most of their output should never bear VAT as a matter of law and explicit policy. For the government, the unfortunate result is long contentious discussions, an adversarial relationship with the industry, poorer fiscal terms and, perhaps, greater difficulty in attracting investment-grade companies with more transparent policies and good compliance.

Table 1: Paragraph 18 of Value Added Tax General Rules of 1997[8]

Proof of Export

18.(1) Unless the Commissioner-General shall otherwise allow, a taxable supplier claiming that a supply is zero rated under the Second Schedule of the Act on the grounds that the supply is an exportation of goods, shall produce to an authorized officer ---

(a) Copies of export documents for the goods bearing a certificate of shipment provided by the Authority;
(b) Copies of import documents for the goods, bearing a certificate of importation into the country of destination provided by the customs authority for the country;
(c) Proof of payment by the customer for the goods; and
(d) Such other documentary evidence as the authorized officer may reasonably require.

(2) Unless the Commissioner-General shall otherwise allow, a taxable supplier claiming that a supply is zero rated under the Second Schedule of the Act on the grounds that the supply is directly linked to exportation of goods from Zambia, shall produce to the authorized officer---

(a) The copies referred to in paragraphs (a) and (b) of sub-rule (1) in relations to the goods concerned;
(b) Proof of payment by the customer for those goods and the services concerned; and
(c) Such other evidence as the authorized officer may reasonably require; and
(d) If so required by an authorized officer, copies of import documents for the goods, bearing a certificate of importation into the country of destination provided by the Customs authority of that country.

[8] Quoted from: The Value Added Tax General Rules, 1997. Gazette Notice No. 86 of 1997.

Table 2: Rule 18 as amended in 2013[9]

Amendment of Rule 18

2. Rule 18 of the principal Rules is amended by the deletion of sub-rule (1) and the substitution of the following:

(1) Unless the Commissioner-General shall otherwise allow, a taxable supplier claiming that a supply is zero-rated under the Second Schedule of the Act on the grounds that the supply is an exportation of goods, shall produce to an authorized officer---

   (a) Copies of export documents for the goods, bearing a certificate of shipment provided by the Authority;
   (b) Copies of import documents for the goods, bearing a certificate of importation into the country of destination provided by the customs authority of that country;
   (c) Tax invoices for the goods exported;
   (d) Proof of payment, made by the Customer, for the goods;
   (e) Documentary evidence, proving that payment for the goods has been made by the customer into the exporter's bank account in Zambia; and
   (f) Such other documentary evidence as the authorized officer may reasonably require.

[9] Quoted from: The Value Added Tax (General) (Amendment) Rules, 2013. Gazette Notice No. 27 of 2013.

Table 3. Value Added Taxes (VAT)

	Australia	Canada	Chile	European Union	New Zealand
Type of indirect tax	GST	GST	VAT (IVA)	VAT	GST
Standard rate	10%	5% [10]	19%	Varies by country; must be at least 15%	15%
What supplies are liable to standard rate?	Any form of supply which is made for consideration, in the course or furtherance of an enterprise, is connected with Australia; and the entity is either registered or required to be registered.	Taxable supplies of property and services made in Canada during the course of business, and imports.	Sales are all transactions that result in the transfer of movable tangible goods (including imports).	Supplies of good from destinations outside the EU or to destinations outside the EU.	Supplies of goods and services made in NZ by a registered person, imports of goods into NZ.
Is there a reduced rate for mining?	No	No. GST specifically includes supplies in the seabed and subsurface areas where the federal or provincial governments may grant the right to explore for or exploit any minerals.	No	No[11]	0% on first sale of refined precious metals for investment purposes
What is the rate of supply on exports?	None	None	Exports not subject to VAT	0%	0%

[10] The federal government levies the GST (Goods and Service Tax) of 5%. Some provinces levy an additional HST (Harmonized Service Tax): for example, the combined rate is 9.5% in Quebec; 12% in British Columbia; 13% in Ontario, New Brunswick, Newfoundland, and Labrador; and 15% in Nova Scotia.

[11] Reduced rates of 5% or more may be applied to certain goods and services listed in Annex III of the EU VAT Directive (Directive 2006/112/EC); does not include mining.

	Australia	Canada	Chile	European Union	New Zealand
Who is required to register?	An entity (resident or nonresident) that is carrying on an enterprise, whose current or projected annual turnover is 75,000 AUD or more (excl. GST).	Every person who makes taxable supplies in the course of a commercial activity (small suppliers exempt).	All entities that perform VAT taxable transactions. A non-established business (e.g. not a permanent establishment) that carries out VAT-liable transactions must register.	Varies by country.	Any business entity (resident or nonresident) or person that makes taxable supplies of goods or services in the course of business and has current or projected taxable turnover above NZ$60,000 in a 12 month period.
Is grouping allowed?	Yes. Companies connected by 90% or greater ownership can opt to be in a GST group.	No	No	Generally yes, may vary by country	Yes, if corporations or persons are "under common control" (one or more person owns at least 66% of the voting power or market shares).
Is there a reverse charge mechanism?	Yes. A compulsory reverse charge mechanism can also apply to the supply of offshore intangible supplies.	Unclear	Yes (but only in certain cases)	Yes	Yes, and a compulsory reverse charge may apply to services.
Are there specific provisions for mining?	• Supplies of some precious metals are input-taxed supplies (not liable for GST, do not give rise to a right to	No	No	No	Supplies of precious metals are exempt.

	Australia	Canada	Chile	European Union	New Zealand
	claim input tax credits) Acquisitions related to the supply of some precious metals are noncreditable				
What are the time of supply rules?	No time of supply rules. The time when GST is payable depends on whether taxpayer accounts for GST on a cash basis or accrual basis.	Tax is payable by the recipient of the supply on the earlier of: the date on which the consideration for the supply is paid, or the date on which the consideration becomes due. Tax on imports becomes due when the goods are released by customs.	For the transfer of goods, the earlier of: the time the goods are delivered, or the time the invoice is issued.	The general rule is that the time of supply of goods occurs when the title to the goods is transferred; specific rules vary by country.	A supply takes place when an invoice is issued or when payment is received by the supplier, whichever is earlier.
What is the procedure to claim credits for domestic supplies?	A valid tax invoice or customs document must support claim for input credits.	A GST invoice is necessary to support a claim for an input tax credit, refund, or rebate.	A valid tax invoice or customs document must support a claim for input recovery.	An invoice must be issued for every taxable supply.	A valid tax invoice must accompany claim for input tax for a supply greater than NZ$50.

	Australia	Canada	Chile	European Union	New Zealand
What proof is required for exports?	To qualify as GST-free, goods must be exported within 60 days and must be accompanied by documents that would "enable a person who is independent of the transaction to reasonably conclude that a supply of goods was made…and exported within the specified time limits."	If the supplier delivers the good outside Canada, the transaction is treated as an export and is not taxable. If the delivery is in Canada, the export is zero rated if all of the following apply: • The good is exported reasonably soon after delivery; • The good is not acquired for consumption, use, or supply in Canada before exportation; • The recipient does not further process, transform, or alter the good; • The supplier maintains satisfactory evidence of the exportation by the recipient.	Invoices for exports must be issued by the National Customs Service and be stamped by the Internal Revenue Service.	Customs clearance forms and invoices must support amount of VAT claimed.	A valid tax invoice must accompany claim for input credit (nothing specific about exports).

Table 3, continued

	Namibia	Peru	Tanzania	United Kingdom
Type of indirect tax	VAT	VAT (IVA)	VAT	VAT
Standard rate	15%	18%	18% (Reduced rate 10%)	20% (Reduced rate 5%)
What supplies are liable to standard rate?	• Supply of goods or services made in Namibia by a registered person • Reverse charge services received by a person in Namibia who is not entitled to claim full input tax credits • Imports of goods from outside Namibia	• Sale of goods, provision or use of services, imports	• Supply of goods or services made in Tanzania by a registered person • Reverse charge services received by a taxable person in Tanzania • Imports of goods from outside Tanzania	• Supply of goods or services made in UK by a taxable person • Intra-EU acquisition of goods by a taxable person • Reverse charge services received by a taxable person in UK • Imports of goods from outside EU
Is there a reduced rate for mining?	No	No	Petroleum products are exempt	No. Yes for fuel and power supplied to domestic users.
What is the rate of supply on exports?	0%	Exports not subject to VAT	0%	0%
Who is required to register?	Compulsory registration for annual taxable supplies above N$200,000.	All entities that perform VAT taxable transactions. A non-established business (e.g. not a permanent establishment) that carries out VAT-liable transactions must register.	Compulsory registration for annual turnover above TZS 40 million	Compulsory registration is £77,000 for annual turnover; all non-established businesses making taxable supplies must register.
Is grouping allowed?	No	No	No(?)	Yes

	Namibia	Peru	Tanzania	United Kingdom
Is there a reverse charge mechanism?	Yes	Unclear	Yes	Yes
Are there specific provisions for mining?	Input tax on raw materials is deductible.	Early Recovery VAT System • General system: applies to all productive companies in a preoperative stage, VAT paid on acquisition of capital goods is reimbursed through negotiable credit notes • Enhanced system: for companies that have entered into investment contracts with the government, and committed at least US$5 million to projects with a preoperative stage of at least 2 years, VAT paid on construction contracts and on the acquisition of new capital goods and intermediate goods and services can be recovered on a monthly basis	Petroleum products are exempt.	No

	Namibia	Peru	Tanzania	United Kingdom
		through negotiable credit notes.		
What are the time of supply rules?	The earlier of the issuance of an invoice or the receipt of payment.	For the sale of personal property within the country, the earlier of when the goods are delivered and when the invoice is issued.	The earliest date of: • The goods are physically removed from supplier's control by recipient • The services are rendered and performed • A tax invoice is issued for the supply • Payment is received for all or part of the supply	"Basic" tax point is the point when the goods are either removed from the supplier's premises or are made available to the customer. "Actual" tax point can be earlier or up to 14 days later than the basic tax point if an invoice is issued.
What is the procedure to claim credits for domestic supplies?	Tax invoice required for supplies over N$100. The hard copy invoice must include: • The words "tax invoice" • Name, address, VAT registration number for supplier • Name, address of recipient • Individual serialized number for invoice and date issued • Full description of good/service supplied	An invoice for the transaction must be issued at the time of supply.	Supplier must issue fiscal receipt or credit note at time of supply.	A valid tax invoice must accompany a claim for input credits.

	Namibia	Peru	Tanzania	United Kingdom
	• Quantity or volume of good/service supplied			

	Namibia	Peru	Tanzania	United Kingdom
What proof is required for exports?	To substantiate a claim for exports, the Customs and Excise officials must stamp the following documents at the port of export: • The original customs export document (Form SAD500, Form 178, and any export certificate or certificate of origin) • Commercial and tax invoices for the supply	Customs documents must prove that exports have left the country. Exporters are reimbursed for any VAT paid on the acquisition of goods and services. Exporters can apply such reimbursement as a credit offset VAT or income tax liabilities. Any balance may be refunded by the Tax Administration.	To qualify for zero rating, exports must be supported by proof that the goods left Tanzania. Valid evidence includes: • A sales invoice • A bill of lading, road manifest, or airway bill • Export permit • In addition to above, any other evidence requested by the Tax Commissioner.	To qualify for zero rating, exports must be supported by proof that the goods have left the UK. Acceptable proof includes: • For exports outside the EU – Official customs documents and commercial documents (such as consignment notes and airways bills) • For intra-EU trade – various commercial documents, including customer orders, sales invoices, transport documentation, and packing lists.

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