

VAT deferment

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A statutory instrument has been issued detailing regulations to be followed in the process of the VAT deferment.

An importer may apply to the Commissioner General to defer payment of VAT in respect of the imported Plant and machinery.

What does this mean?

This facility saves the importer the cash flows that would otherwise be used in making payments for VAT in respect of Plant and Machinery at importation. No payments are required if you qualify for this facility.

Who qualifies?

Any person who imports Plant and Machinery for use in the production of taxable goods can apply for the facility.

However, plant and machinery is neither defined by the VAT Act nor by the statutory instrument

How is it done?

An importer applies to the Commissioner General who upon satisfying the conditions prescribed in the regulations is allowed to import Plant and Machinery without paying any VAT thereon.

Conditions for approval

- (i) The applicant should be registered for VAT with the Uganda Revenue Authority (URA)
- (ii) The Plant and Machinery should be for use in the business of the applicant
- (iii) The amount of VAT to be deferred should be more than USD4,000
- (iv) The applicant should be up to date with filing their VAT returns
- (v) The Commissioner General may require the applicant to deposit security for the amount to be deferred before the application is approved.

How long is the period of deferment?

One year from the date of deferment for a person who is not making taxable supplies.

Fifteen days after the month end for a person already making taxable supplies

Fifteen days after the month end in case of phased imports. In case of phased importation, fifteen days after end of month.

In case of phased imports, the applicant is required to attach to the application a schedule indicating the phases as well as the Plant and Machinery to be imported in each phase.

Other matters to note

The Plant and Machinery can be inspected by the URA to confirm that it was installed and is being used for the intended purpose specified in the application.

When the Commissioner is satisfied after the inspection, then the taxable person can account for the deferred VAT in their VAT returns.

Inspection is at the discretion of the Commissioner General.

Can the deferment facility be terminated?

Yes, when the Commissioner General ascertains the following;

Plant and Machinery has not been installed or utilised for the specified purpose.

Period of deferment has ended.

Can I sell the Plant and Machinery during or after the expiry of the deferment period?

Whenever you sell, re-export or dispose Plant and Machinery which was cleared under the deferment facility, you will be required to pay the outstanding VAT as well as interest thereon. The interest currently accrues at 2% compounded per month.

Can I ever pay the tax?

Yes, when the period of deferment expires or if you sell the Plant and Machinery or if the facility is terminated.

August 2013

No VAT payable on imports of Plant and Machinery

Plant and machinery for use in producing taxable goods

