

CRITICAL VAT DEFERRAL ACCOUNT TIPS: By Jonathan Hore

If you are a VAT-registrant and import a lot, you probably may have heard of the VAT deferral account. The VAT deferral account, popularly known as the Asycuda account or Customs Management System, is an arrangement where VAT registrants are allowed to defer the payment of import VAT to the 25th day of the month following that of importation. This means that if an importation is done in June 2019, the VAT is payable by the 25th of July 2019. Technically, each VAT-registrant who intends to operate the deferral account should enter into a bond with a bank and surrender the same to BURS.

The bond allows BURS to recover any VAT that may be owed by the VAT-registrant, in case of default. The account therefore practically allows VAT-registrants to bring goods through a border or any other port of entry without first paying the VAT due. This is one of the business-friendly tax arrangements availed by the Tax Acts. I want to point you to some critical tips on the use and operation of the deferral account. In this article, words importing the masculine shall be deemed to include the feminine.

CRITICAL TIPS

Below are some of the critical tips of operating the VAT deferral account:

- **Never over/underpay:** One thing that every operator of the deferral account should be aware of is that they should never overpay or underpay the balance on the account. In other words, payments to the account should exactly match the balance due per that account. Underpayments will cause the account to be blocked, no matter how small the balance. This delays the movement of goods through the port of entry as BURS demands that the account be cleared first. Like I pointed above, an underpayment by an amount such as P10 will delay the clearance of millions of worth of goods through the Customs entry point. Whilst one would not expect overpayments to create problems, some clients have faced difficulties due to such overpayments and it is therefore advisable to ensure that the correct amount is paid.
- **VAT claims on cash-basis:** VAT claims linked to the deferral account can only be made as and when the payment of the VAT has physically been done to BURS. The fact that one has copies of the Customs bills of entry and the amount of VAT charged to the account is not sufficient to allow VAT claims. This is a condition set by the VAT Act and it technically means that VAT claims may at times need to be postponed until payment is done.
- **Processing fees not claimable:** Most VAT-registrants are not aware that BURS charges bills of entry processing fees onto the VAT deferral account and the total due per that account is inclusive of the said fees. These fees are usually indicated on the statements as DPF. Those fees are, in practice claimed by most of the VAT-registrants as import tax and yet they are not VAT. It is undeniable that the fees are linked to and are inseparable from the importation of the goods but the correct treatment is to expense them as part of cost of purchases or assets imported.
- **BURS's statements:** Practically, BURS is no longer handing over VAT deferral accounts over the counter to any person who is not the authorized account user in their e-services platform. It is not known why this is so but my feeling is that they want to encourage taxpayers to make use of the e-services platform and it appears that there is nothing wrong with that. However, from a legal perspective, this may be viewed otherwise as there is no legislation which makes it mandatory for taxpayers to register and access their accounts electronically. Technically, whilst it is good for all taxpayers to go online, it would be smarter to effect this with the necessary legislative backing.

- **Register if you import:** In case you import quite often, it is advisable to register with BURS for the deferral account as it allows you to trade without worrying about paying taxes right at the point of importation. It also brings about the convenience of allowing you time to gather the VAT due through the postponement of the payment deadline to the 25th day of the month following that of importation. Administratively, it allows businesses to continue trading even when they may not immediately have the cash with which to pay import VAT.

CONCLUSION

The deferral account avails a lot of convenience which must at all costs be utilised by VAT-registrants. It is therefore advisable for VAT-registrants to consider opening such account if they often import. However, the VAT deferral account is not suitable for taxpayers who rarely import as it may lock monies in a bank bond and may also bring about administrative burdens not matched by ensuing economic benefits.

Well folks, I hope that was insightful. As Yours Truly says goodbye, remember to pay to Caesar what belongs to him. If you want to join our Tax Whatsapp group, send me a text on the cell number below.