

### **Refuse invoices with landlord's VAT on utilities in Botswana.**

Some landlords usually pay building utilities which include water, electricity, cleaning etc and thereafter recover from their tenants. However, more often than not, Value Added Tax (VAT) registered landlords at times end up in a quandary on whether they should charge VAT on such utilities as the same is usually invoiced together with monthly rentals to tenants. VAT is one dicey tax which needs a bit of thorough understanding of its basic principles. In this case, to clear any misconceptions, it is imperative that both landlords and tenants understand that VAT need not to be charged on utility recoveries invoiced to tenants by their landlords. Keep on reading and allow us to clarify why VAT does not apply on utilities recovered by landlords. In this article, words importing the masculine shall be deemed to include the feminine.

### **The basics**

As alluded to above, usually some landlords incur utility charges on their buildings which include electricity, water, garbage collection etc. However, in order to cushion themselves from such costs and ensure that they are not the ultimate payer, landlords tend to recover the said utilities from their tenants by way of invoicing. In most cases, the landlords charge VAT on the total of rent and utility recoveries which ultimately results in a VAT charge on the said recoveries. In this regard, it is of paramount importance to highlight that a registered person is primarily required to charge VAT on the value of goods or services he personally and individually supplies. Let us have a brief look at what entails supply for VAT purposes.

### **Enter supply**

Basically, the term supply for VAT purposes connotes the provision of goods or services including granting someone a right to use a property. In this case, it is quite clear that landlords cannot be said to be suppliers of electricity, water, or other utilities. Rather, they grant tenants the right to use their buildings. Accordingly, such right is construed to be a supply on which landlords can charge VAT. In other words, landlords do not have a basis for levying VAT on utilities to their tenants.

Landlords are and can never be BPC or WUC. It is only these two entities which supply electricity and water in Botswana. Therefore, a landlord who is VAT-registered must simply claim the VAT they are charged by BPC and WUC and only pass the net amount without VAT. In other words, if a landlord who charges rent of P 100 000 incurs water & electricity bills per each tenant of P20 000, the VAT must be P12 000, being 12% of P 100 000 only. The landlord must then recover the P 20 000 by adding it to the VAT-inclusive amount of P 112 000, as a 'non-Vatable' disbursement. This allows the landlord to recover his costs and at the same time treat the recoveries correctly for VAT. Remember this; your landlord does not generate electricity but BPC does. That landlord cannot drill for water but WUC does!

### **Conclusion**

To sum it up, landlords are not suppliers of tenants' utilities. Therefore, they are not required to charge VAT on the same. Accordingly, such utilities are mere cost recoveries. In essence, the landlords only supply the use of buildings hence VAT should only apply on the same.

Well folks, we hope that was insightful. As us the two Yours Truly say goodbye, remember to pay to Caesar what belongs to him. If you want to consult, join our free Tax WhatsApp group or to know about our 9 Tax e-books, send us a text on +267 7181 5836. You can read more tax articles on our website, [www.aupracontax.co.bw](http://www.aupracontax.co.bw) under the 'Tax articles' tab.