



GUIDELINES FOR APPOINTED VAT WITHHOLDING AGENTS

Section 42A of the Tax Procedures Act, 2015 gives powers to the Commissioner to appoint a person to withhold two per cent of the taxable value on purchasing taxable supplies at the time of paying for the supplies and remit the same directly to the Commissioner.

These guidelines are for the proper operation of withholding VAT on taxable supplies received by VAT withholding agents:

1. VAT withholding agents are required to withhold two per cent of taxable value indicated on a tax invoice on purchasing taxable supplies at the time of paying a registered supplier and remit the same directly to the Commissioner.
2. Item 1 notwithstanding, where a VAT registered supplier has not indicated the VAT amount on an invoice for a taxable supply, it shall be deemed that the supply is VAT inclusive.
3. Withholding VAT shall not be applied on payments for taxable supplies to:
 - a. Official aid funded projects;
 - b. The taxable value of zero-rated supplies;
 - c. Registered manufacturers whose value of investment in the preceding three years from the commencement of this Tax Procedure Act, 2015 is at least three billion [Act No. 22 of 2022, s.41]. The Registered manufacturer(s) are required to provide an exemption certificate (letter) by Commissioner for Domestic Taxes; and
 - d. Non-VAT registered persons.
4. VAT withholding agents shall be required to withhold VAT in the name and PIN of the supplier of taxable supplies.
5. A VAT Withholding agent shall apply for cancellation of a withholding certificate through iTax due to any of the following reasons:
 - a. The certificate is issued to the wrong person.
 - b. The certificate is issued in error.
 - c. A credit note is issued resulting into reduction of transaction value.
 - d. Any other reasonable cause.
6. Upon cancellation of a withholding certificate, the system shall generate a Withholding Adjustment Voucher, which can be utilized to make future withholding VAT payments.
7. The tax withheld under this section shall be remitted to the Commissioner as provided for in Tax Procedure Act, 2015 Section 42A (4B).
8. Failure to withhold tax and remit the tax due to the Commissioner is an offence and the withholding agent shall be liable to penalties as provided for under Section 39A and 42A of the Tax Procedures Act, 2015.