



**Revenue  
Services**  
Lesotho

# GUIDE ON TAX REFUNDS

“Re Tjena Ka Uena”

## **1. What is a tax refund?**

A tax refund is the money that is paid back to the Taxpayer by the Revenue Services Lesotho (RSL) when the amount of tax actually paid by the Taxpayer is more than the amount due or owed by Taxpayer in each year of assessment. A tax refund is payable at the end of every quarter, month or during or at the end of the year of assessment. The refund can be paid in two (2) ways, either in cash or as a credit against any amount owing by the recipient (by an offset)

1.1 Circumstances under which income tax is refundable:

a) When a Taxpayer pays more income tax than was supposed to be paid, the excess amount is paid back to the Taxpayer as a refund.

1.2 Circumstance under which VAT is refundable:

a) VAT will be claimable and may be refundable, subject to certain conditions, when input tax is greater than the output tax.

b) When a Taxpayer pays more than was supposed to be paid, the excess is paid back as a refund.

c) Where the law provides for VAT refunds on tax exempt persons such as diplomats, consulars and diplomatic and consular missions and public international organisations (PIOs)

## **2. Who may be entitled to a tax refund?**

The following persons may be entitled to a tax refund:

a) Individuals

b) Businesses

c) Temporary importers and exporters

d) Diplomats, Consulars and diplomatic and consular missions

e) Tax exempt organisations

## **3. Application for tax refund**

3.1. Individuals and businesses

To apply for a tax refund, a registered Taxpayer must apply for a tax refund in writing to the Commissioner Core operations.

## **4. Verification of tax refund**

Upon receipt of an application letter for a tax refund, a tax audit will be conducted by RSL to verify or authenticate the amount of tax refund claim before it is processed. The RSL will complete the tax audit within twenty- one (21) days depending on the complexity and merits of each case. Upon completion of a tax audit, the RSL shall process and pay a tax refund within ten (10) working days. The process can be delayed, if necessary, documents are either not submitted in time by the Taxpayer,

they have been submitted but they are incorrect or they are insufficient for completion of a tax audit etc.

## **5. Refund claim for provisional tax**

To claim a tax refund on temporary importation, the importer must lodge an application for a tax refund in writing and such a letter should be addressed to the Commissioner Core Operations.

### **5.1 Documents required for refund application by importers/exporters.**

The following documents should be attached to the application letter for a tax refund:

- a) Original receipts issued.
- b) Spreadsheet listing refund claims and the corresponding tax invoices/receipts.
- b) Memo issued by customs border officials.
- c) SAD 500 cn1 and cn2 forms issued upon entry.
- d) Declaration documents upon re-export.
- e) Refunds relating to provisional payment on temporary imports will be made within ten (10) working days.

## **6. Diplomats, contractors and certain organisations**

Lesotho diplomatic privileges act 1969 provides for exemptions to officials of diplomatic or consular missions and members of their families in a manner prescribed in the Vienna convention on diplomatic relations.

Public international organisations or foreign governments in accordance with an international agreement are exempt from Value Added Tax; and a contractor entitled to exemption from value added tax under an aid project, to the extent provided for under the international agreement establishing the project. This is according to section 47 subsection 2 (a) and (b) of vat act no 9 of 2001.

The law provides that tax exemption will be granted by a way of refund. This implies that diplomats, contractors, and certain organisations will still be required to pay tax when buying goods and services and it will subsequently claim the refund on the tax paid.

## **7. Tax exempt organisations (exemption by way of refund)**

To ascertain whether an organisation is exempt from tax in Lesotho, firstly, such organisation should apply for tax exemption to the Revenue Services Lesotho to determine whether it is eligible for exemption or not. The exemption operates by way of a refund. This means that a tax exempt organisation will still be required to pay tax when buying goods and services and it will subsequently claim the refund on the tax paid.

Although an organisation may be exempt from both income tax and value added tax in Lesotho, the law provides that it should still register for other taxes such as

employees' tax. Therefore, a tax-exempt organization should register for employees' tax or pay as you earn (PAYE).

7.1 Documentation requirements for tax refund application the following documents should be attached to the application for a tax refund:

a) A filled VAT refund form obtainable at RSL offices in Maseru and all commercial border posts.

b) Separate spreadsheets (schedules) should be prepared for both Lesotho and Republic of South Africa (RSA) tax invoices. The RSA tax invoices should include addresses of the supplier and the buyer.

The schedule should show the name of the supplier, VAT charged, tax invoice number and date.

c) Originals as well as copies of tax invoices should be submitted for both Lesotho and RSA issued tax invoices.

d) Refund claims on RSA issued tax invoices should strictly be lodged within 3 months from the month of purchase or earlier.

e) A Taxpayer is allowed to lodge a claim of refund on the tax invoices issued in Lesotho within a period of four (4) years from the date of issuance. This relates to income tax invoices, while VAT invoices are not time bound.

f) It is advised that tax refund claims be lodged monthly and be strictly for tax paid on purchase of official goods and services that are directly related to the mandate of the organisation.

g) Payments of tax refunds will be made within ten (10) working days.

h) For any other employees of a foreign government or public international organisation based in Lesotho are advised to contact the RSL for assistance and guidance.

## **8. Channels for submission of tax refund applications accompanied with original tax invoices; payment receipts should be submitted physically for RSL endorsement.**

- Diplomats, public international organisations (PIOs), contractors and certain exempt organisations should submit their applications through the office of VIP available in Maseru only. Tax invoices or payment receipts should be submitted physically for RSL endorsement.

- Individuals and businesses should submit their applications through digital service centres and any other commercial border post.

## **9. Requirements necessary for payment of tax refunds**

- A valid bank account number
- A valid M-Pesa/Eco-Cash number

- Original tax invoice or receipt

**Note:** names should correspond in all applicant's accounts, in other words their names used in payment channels such as banks and mobile money should be the same as those in the RSL database.

- Applicants bank account names should correspond with those registered in RSL database
- The applicants names should correspond with those registered in their mobile money (M-Pesa/EcoCash) accounts

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