

VAT 104 – KEEPING RECORDS AND ACCOUNTS

Introduction

This guide intends to provide guidance on the requirements for record keeping expected from a vendor¹. It sheds light on which records must be kept and for how they should be kept in accordance with the VAT Act².

What records must I keep?

Every person liable for Value Added Tax (VAT) should keep the following source or primary documents/records:

- Original VAT invoices, credit notes and debit notes for goods and services bought.
- A copy of VAT invoices, credit notes and debit notes issued to the customers.
- Customs documentation for exports and imports

In addition, the vendor should also maintain

- a. Record of all taxable goods and services that were received or supplied as part of the business (including export and other zero-rated supplies) clearly separating the amount excluding VAT and the VAT amount.
- b. Separate record of any exempt supplies made or received.
- c. An up to date books of account which:
 - Correctly record and explain the transactions entered into by the vendor;
 - Enable the financial position of the vendor to be determined with reasonable accuracy and
 - Will enable the accounts of the vendor to be readily and properly audited;

The vendor is also expected to maintain such other accounts and records as may be prescribed by the Commissioner.

¹ A vendor is a person who is registered or treated as registered under the VAT Act.

² Act No 9 of 2001

NB: You do not have to keep these records in any set format but the records must be complete and up to date. The figures that you used to fill the VAT return must be easy to find and be easily reconciled by the tax officials.

Does everyone have to keep the same records?

Invoices will normally form the basis of your business records. Whenever you supply taxable goods or services to another registered person, you must give them a VAT invoice showing:

- your business's full details as the person making the supply (that is, your business's commercial name, address, place of business, and VAT registration number);
- full details of the buyer (that is, the commercial name, address, place of business, and VAT registration number of the vendor to whom the supply is made);
- the date at which the supply took place;
- description of the goods or services supplied;
- value of the goods or services supplied;
- an applicable VAT rate; and
- the amount of VAT payable.

Normally, you must issue a VAT invoice within 30 days of the date you make the supply. VAT invoices are important since you can only claim a deduction for the VAT you have been charged by your suppliers if you have a valid tax invoice from them. In the same way, if your customers are registered for VAT they will need a tax invoice from you to enable them to claim their input VAT.

If you sell directly to the public you do not need to issue a VAT invoice unless your customer asks for one. If the customer asks for it, the invoice will need to show your full details, as indicated above, and may show the name and address of the customer, with the description of the goods or services supplied.

Can I claim credit for VAT if I lose the invoice?

No. To claim a credit for VAT you paid, you need a VAT invoice. You must ask your supplier for a duplicate. A photocopy of the invoice will not be accepted; a replacement duplicate clearly marked by the supplier as a "Duplicate" may be used.

However, the Commissioner General may allow an input tax credit in a case where a vendor does not have a VAT invoice and has taken all reasonable steps to acquire it from their supplier, and failure to get it was not their fault and the amount claimed by the vendor is correct.

How do I record my sales?

You need to make a summary of all VAT invoices you have issued to your customers. The law requires you to keep copies of all VAT invoices you issue to your customers with regard to taxable supplies. You also need to make a summary of your other sales, including a summary of sale of exempt supplies. Your summary or summaries should be in the same order as the copy of invoices and other supporting records (till rolls, cash book etc.). They should show separate totals for:

- the VAT on your sales
- the value of your sales before VAT
- the total value of all exempt sales
- the VAT on imported goods and imported services
- any credits allowed to your customers.

If you give any goods away or take any goods from your stock for employees or for private use, you must keep a record of:

- such goods;
- the date you took them from stock;
- the rate and amount of VAT chargeable on those goods;
- the cost of the goods before adding VAT.

How do I record my purchases?

It is important to note that the law requires you to keep original copies of VAT invoices you receive from your suppliers. You will need to make a monthly summary of the invoices in the order of the dates of issuance.

Your summary must show separate totals for:

- the VAT you have paid on purchases in Lesotho;
- the value of those purchases before VAT;
- the VAT you have paid on imports (that is, goods and services from outside Lesotho);
- any credits received from suppliers.

You must also keep a separate record of any business purchases on which you cannot claim credit for input tax, for example, motor cars and business entertainment.

How do I record my exports and imports?

You must keep official customs declaration documentation relating to your exports and imports. In the case of exports, the documentation should show:

- value of exports;
- the rate of VAT (normally 0% for taxable supplies);
- the date of export

In the case of imports, the customs declaration documentation should show:

- the value of imports;
- the rate of VAT applicable;
- the amount of VAT paid;
- the import entry date.

You should also keep VAT receipts for VAT paid at Customs at the Lesotho ports of entry. You will need these documents to claim allowable input tax credit for the VAT you paid.

How do I keep my VAT Control account?

The VAT Control account is simply a summary of the totals of your Output VAT and Input VAT for each tax period. You should add up the VAT in your records regularly and put the totals in your VAT account under the following headings:-

VAT payable - output tax

- sales
- errors in earlier returns
- benefits (that is, stock and other supplies that were acquired to be re-supplied in the course of your business) provided to employees and relatives³
- goods given away or taken for your own or your family's private use (*please refer to foot note 2*).

VAT deductible - input tax

- purchases for your taxable supplies
 - imports of taxable supplies
- At the end of each month, you use the figures from your VAT control account to complete your VAT return. You must send in your return, and any payment due, not later than 20 days after the end of the tax period which is equivalent to the calendar month.

Where should I keep the business records?

All accounts and records must be maintained in Sesotho or English language and must be kept in Lesotho.

³ Only provided that Input VAT was claimed on the goods

For how long must I retain the business records?

Records or accounts required to be maintained shall be retained for as long as they remain material in the administration of this VAT Act. In other words, they should be kept for as long as the business exists.

Remember, business records include:

- annual accounts and profit and loss account
- bank statements and paying-in slips
- cash books and other account books
- VAT invoices, credit or debit notes you issue or receive
- orders and delivery notes
- purchase and sales books
- purchase invoices and copy sales invoices
- records of daily takings, for example, till rolls
- relevant business correspondence
- documents or certificates providing special VAT treatment
- documents relating to dispatches or acquisition of goods outside Lesotho
- imports and exports
- VAT Control account and copies of VAT returns.

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