

VALUE ADDED TAX (AMENDMENT) BILL, 2006

ARRANGEMENT OF SECTIONS

SECTION

1. Short title and commencement
2. Amendment of s. 13 of Act No. 7 of 2005
3. Amendment of s. 31 of the principal Act
4. Amendment of the First Schedule to the principal Act
5. Amendment of Second Schedule to the principal Act

A BILL

entitled

An Act to amend the Value Added Tax, 2006

ENACTED by the Parliament of Malawi as follows—

1. This Act may be cited as the Value Added Tax (Amendment) Act, 2006, and shall come into operation on 1st July, 2006. Short title and commencement

2. The Value Added Tax Act, 2005 (hereinafter referred to as the principal Act”) is amended, in section 13, by— Amendment of s. 13 of Act No. 7 of 2005

(a) renumbering subsection (2) as subsection (3); and

(b) inserting therein the following new subsection as subsection (2)—

“(2) Where a taxable person dies or becomes bankrupt or incapacitated, the Commissioner General may, from the date on which the taxable person died or became bankrupt or incapacitated treat as a taxable person any person carrying on that business until some other person is registered in respect of the taxable supplies made or intended to be made by that taxable person in the course of his business, and the provisions of this Act shall apply to the person so treated as though he were a registered person; and any person carrying on such business shall inform the Commissioner General in writing of the fact and the date of the death or bankruptcy, or of the nature of the incapacity and the date on which it began, as the case may be.”

Amendment
of s. 31 of the
principal Act

3. Section 31 of the principal Act is amended by adding thereto the following new subsections as subsections (5) and (6)—

“(5) Where a taxable person has issued a tax invoice and has paid the appropriate tax for a supply, and—

(a) the purchaser becomes insolvent; or

(b) the purchaser fails to pay all or part of the taxable amount of the supply in addition to the tax imposed and the debt is a bad debt proved to be such to the satisfaction of the Commissioner General,

the taxable person shall be allowed to take as credit the portion of the tax paid or imposed on the supply which is attributable to the debt that becomes irrecoverable.

(6) Where a debt previously written off as a bad debt and for which credit has been given is later recovered, the tax due on amount recovered shall be paid to the Commissioner General in the tax period in which the recovery has been made.”

Amendment
of the First
Schedule to the
principal Act

4. The First Schedule to the principal Act is amended by—

(a) deleting item 7;

(b) deleting Customs Tariff Heading “84.37” and substituting therefor Customs Tariff Subheadings “8437.10.00” and “8437.80.00”;

(c) deleting item 14 and substituting therefor the following new item as item 14—

“14. *Vehicles, other than railway train way rolling stock* Exemption covers tractors, ambulances, goods carrying vehicles and cycles specially constructed for the disabled under Customs Tariff Headings 8701.10 to 8701.90.00, 8703.90.20, 8712.00.10 and 87.13”; and

(d) renumbering items 8 to 23 as 7 to 22, respectively;

Amendment
of the Second
Schedule to the
principal Act

5. The Second Schedule to the principal Act is amended as follows—

(a) by deleting item 9 (a) and substituting therefor the following—

“9. *Motor Vehicles for Transport of Goods*

(a) zero-rating covers motor vehicles under Customs Tariff Subheadings—

8704.21.10 GVW < 2.99 tonnes x

- 8704.21.90 GVW >2.99 tonnes < 5 tonnes x
 8704.22.10 GVW >5 tonnes <10 tonnes ✓
 8704.22.20 GVW >W tonnes <15 tonnes ✓
 8704.22.90 GVW > 15 tonnes < 20 tonnes ✓
 8704.23.00 GVW >20 tonnes ✓
 8704.31.10 GVW <2.99 tonnes x
 8704.31.90 GVW >2.99 tonnes <5 tonnes x
 8704.32.10 GVW >5 tonnes <10 tonnes x
 X 8704.32.20 GVW >10 tonnes < 15 tonnes X x
 X 8704.32.30 GVW >15 tonnes <20 tonnes X ✓
 8704.32.90 GVW >20 tonnes"; ✓

(b) by inserting therein the following new item as item 10—

"10. Pharmaceutical Products

Zero-rating covers pharmaceutical products of Customs
 Tariff Subheadings 3001.10.00 to 3006.60.00".

OBJECTS AND REASONS

The principal objective of this Bill is to amend the Value Added Tax Act, 2005 in order to make provision—

- (a) for responsibility for value added tax ("VAT") in the event of death, bankruptcy or incapacitation of a taxpayer;
 (b) for writing off bad debts of VAT;
 (c) to zero-rate pharmaceutical products;
 (d) to remove VAT on motor vehicles designed of carrying goods propelled by petrol; and
 (e) to remove VAT on carriages for disabled persons.

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 for Attorney General*