

Tax & Legal Alert  
December 2021



## Keeping you in the loop

### Update to communication on reinstatement of Operation of VAT Withholding

Following the Public Notice issued by URA in November 2021 in respect to reinstatement of VAT withholding, the Authority has issued further guidance on implementation of the VAT withholding.

This communication highlights the key features of the updated guidance.

## 1. Due date

### When should VAT be withheld

This should be withheld at the time of payment to the supplier. The same should then be accounted for in the VAT return in the same month.

The Public Notice issued by URA on 07 December 2021, has clarified that the designated VAT withholding agent should withhold the VAT at the time of making payments to their vendors.

### How does this work

An agent received an invoice of Ushs 118 (VAT inclusive from a vendor) on 1 November 2021. The agent has a 60-day credit period, meaning that the invoice will be settled on 31 December 2021.

- For the designated VAT withholding agent
  - ✓ Claim input VAT of Ushs 18 in November's VAT return
  - ✓ Pay the vendor Ushs 112 on 31 December 2021
  - ✓ Declare VAT withheld of Ushs 6 in December's VAT return

*The clarification is welcome as it irons out issues on cut-off dates for invoices relating to prior tax periods.*

## 2. Applicability of VAT withholding

VAT withholding will only be applicable for taxable supplies. This means that where a vendor supplies goods or services that are ordinarily exempted from VAT, VAT withholding will not be applicable.

*We note that the URA is yet to issue a clarification on where a vendor supplies goods or services which are taxable, but are classified as zero-rated for VAT. Withholding of VAT on zero-rated supplies would defeat the purpose of zero-rating such supplies.*

*If you missed out on the previous tax alert in respect to this subject, kindly click [here](#) to access the alert.*



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