



VAT FRAUD INVESTIGATION SPECIALITY PROGRAMME

ZIMBABWE PRESENTATION

V. Zisengwe S. Kutsirayi S. Muzangaza

Framework

- Background
- Triggers of VAT Investigation
- Challenges
- Schemes

Background

- VAT was introduced in 2004 replacing Sales Tax as a way of reducing tax leakages at various stages in the value chain and making exports competitive on the international market.
- Goods /services are categorized as
 - ✓ Standard rated
 - ✓ Zero Ratedor
 - ✓ Exempt
- Challenges in VAT Investigations mainly emanate from **Standard Rated and Zero rated goods and services.**

Triggers

VAT Investigations are triggered by the following Risks

- Non Filing of Returns
- Variances from Data Matching
- Refund Claims
- Non compliance to Fiscalisation
- Third Party Spin offs
- Credit notes
- Non- invoicing

Challenges

- Different rates of VAT (15%, 14.5%, 0%)
- Malfunctioning of the Fiscalisation system.
- Electronic return submission platform is giving numerous challenges – ZW has launched a Tax Management System (TARMS) which addresses these challenges.
- Zero – rating of goods and Services. ZW has too many zero- rated goods and services. It is like giving tax incentives. **It is better to exempt.**

Challenges

- Long window periods for claiming input tax may result in double claims- ZW gives 12 months.
- Failure to adhere to all registration requirements leading to registration of client's solely on the basis of meeting the required turnover threshold.
- Malfunctioning Fiscalisation system.
- Poor record keeping by clients.
- Connivance with Zimra officials - corruption

Schemes

The challenges highlighted bring about various VAT Fraud Schemes as seen in the following case in note:

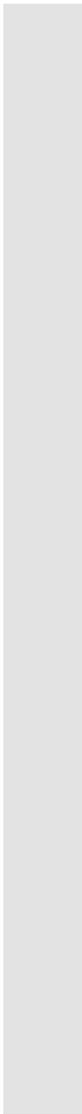
Company A deals in retailing of hoses, rubber, conveyor systems, mining technology and hydraulic solutions. It imports and sales these products mostly to the mines as well as provide after sales services. **Company A** has a related party in S.A. The following information about the activities of company A was received ;

- In May 2022, the **Company A** created fictitious invoices to undercut duty payable on a consignment from its supplier in S.A
- During the same period, **Company A** created a fake bill of entry on behalf of its customer for use in the acquittal of the transaction for Exchange control purposes as the mining company had paid the money directly to its clients FNB account in SA.
- The company under declared a consignment for **Mine A** goods by using a wrong tariff code thereby bypassing the need for import licences.
- The company imported two vehicles and the value was under declared for duty purposes.

Schemes

VAT Fraud Schemes

- Fictitious invoicing
- Sales Suppression
- Misclassification of HS codes
- Input tax fraud
- Managed VAT Payable
- Abuse of Change of Use of goods.



The End
Thank You