

Bryte Botswana: VAT Increase

Effective 1 April 2021

FAQ for direct customers

General	
When was the increase announced?	On 1 February 2021, the Honourable Minister of Finance, Dr Thapelo Matsheka, announced an increase in value-added tax (VAT).
What is the new VAT rate?	VAT increased from 12% to 14%.
When did this come into effect?	This increase came into effect from 1 April 2021.
Do short-term insurance premiums attract VAT?	Yes, insurance premiums are subject to VAT. Accordingly, all short-term insurance policy premiums inclusive of VAT increased by 2 percentage points with effect from 1 April 2021, unless they are zero rated or exempt supplies. The only exception would be where premiums are either settled or invoiced before 1 April.
What about excesses and claims settlements?	Excesses (fixed value) remain unaltered. Claims settlements will, where applicable, also take the increased VAT rate of 14% into account.
Since Bryte does not issue invoices which document constitutes a tax invoice?	Our policy schedule states that: All premiums are inclusive of VAT and this schedule becomes a Tax Invoice once the full amount has been paid. The VAT rate will be updated to reflect the new rate on all documents issued from 1 April onwards.
Cover	
Will we enjoy that same cover?	We have not adjusted VAT exclusive sums insured upwards. Therefore, it is important that the adequacy of customers' sums insured are considered.

<p>Will I be covered even if my policy was issued before the increase?</p>	<p>Cover (VAT exclusive) remains in place but what has changed is the VAT amount that forms part of the premium payment. This is as a direct consequence of the 2 percentage points increase in the VAT rate from 12% to 14%.</p> <p>Zero rated premiums or exempt supplies will not change.</p>
<p>Is the change likely to affect my existing insurance contract with Bryte? My current agreement runs from January to December.</p>	<p>Your insurance contract and its terms of cover (VAT exclusive) will remain unchanged. The premiums you pay may change with effect from 1 April 2021 depending on the time of supply.</p> <p>Several factors will determine the time of supply – some include the date of invoicing premiums (if applicable), the date on which premiums are paid, the date that premiums fall due and payable in the case of successive supply contracts, for example, an annual policy contract with agreed payment frequency (monthly, quarterly, half yearly or specific contractual dates).</p> <p>The general rule is that the time of supply is deemed to have taken place on the earlier of premium invoice date or the premium is paid and, in the case of successive contracts, it is the earlier of premiums falling due and payable or when premiums are actually paid.</p> <p>Once the date or time of supply is determined, if the time of supply is before 1 April, 12% applies and if it is on or after 1 April, 14% applies.</p>
<p>Would you advise me to increase cover to reduce the risk of “averaging” as a result of the VAT rate increase?</p>	<p>The decision to increase or decrease cover is entirely yours and depends on your specific circumstances including, among others, affordability and whether you are VAT registered or not.</p> <p>The guidance we can give, is for you to discuss your specific circumstances with us. Please contact Keitumetse Oanthata on 77820565 to discuss your specific needs.</p>
<p>What will happen if I want to reduce cover on a policy previously taxed at 12%. At what rate will the credit note be processed?</p>	<p>The credit note will be reversed at the same rate as it was invoiced. Items invoiced before 31 March will have been taxed at 12% and the credit note will be reversed at 12%. If a policy was taxed at 14%, it will be reversed out at 14%.</p>
<p>If I need to increase my cover after 1 April 2021 on a policy that renewed before 31 March 2021, at what rate will the endorsement be taxed?</p>	<p>The endorsement will be taxed at 14% – it is considered as a new taxable supply which comes after 1 April 2021 when the rate comes into effect.</p>

Premiums	
Will my premiums go up?	<p>Your VAT inclusive premium will go up by 2 percentage points as a direct consequence of the VAT rate increase, despite benefiting from the same VAT exclusive cover. Unless already paid in full or invoiced before 1 April.</p> <p>Zero rated premiums or exempt supplies (i.e. that do not attract VAT) remain unchanged after 1 April 2021 unless you give specific instructions to increase or decrease your cover. In such a case you can contact Keitumetse Oanthata on 77820565.</p>
Will I be required to pay an additional premium due to the increase?	<p>Yes, you will be required to pay an increased premium driven by the change in VAT rates. The underlying VAT premium before VAT remains unchanged. In other words:</p> <ul style="list-style-type: none"> • Monthly policies: VAT inclusive premiums for monthly policies increased with effect from 1 April 2021, unless they were settled in full before then. <p>Where, for example, only 4 months' premiums have been paid, the unpaid portion (i.e. 8 months) will attract VAT at 14%.</p> <ul style="list-style-type: none"> • Annual policies: Where the full annual premium was paid prior to 1 April, there will be no impact. <p>Annual premiums that are not settled before 1 April will attract VAT at 14%. However, if they were invoiced before 1 April, 12% would apply.</p>
What are the implications for me if I want to continue paying the same premium?	<p>If you want to continue paying the same VAT inclusive premium even after 1 April, you will have to consider reducing or adjusting your VAT exclusive sum insured. It is not advisable to reduce cover as this will result in you being underinsured. This means that at claims stage, you run the risk of an average being applied to your claim.</p> <p>If you are considering this, please contact Keitumetse Oanthata on 77820565 for guidance or advice.</p>
What will happen to my premiums (annual/monthly policies)?	<p>Cover (VAT exclusive) for policies will remain in force unless we receive instructions to amend the cover. The VAT rate applicable to premiums is determined by the time of supply.</p> <p>Premiums will be taxed at 12% if the time of supply is before 1 April 2021 and at 14% if the time of supply is on or after 1 April 2021. In other words:</p>

	<ul style="list-style-type: none"> Monthly policies: VAT inclusive premiums for monthly policies will increase with effect from 1 April 2021, unless they were settled in full before then. Where, for example, only 4 months' premiums have been paid, the unpaid portion (i.e. 8 months) will attract VAT at 14%. Annual policies: Where the full annual premium was paid prior to 1 April, there will be no impact. Annual premiums that are not settled before 1 April will attract VAT at 14%. However, if they were invoiced before 1 April, 12% would apply.
What if I can't afford my premiums if there is an increase?	If you can't afford the premium, it is advisable to determine what is most important to you. We suggest that you engage with your broker or, if you are a direct customer, contact Keitumetse Oanthata on 77820565 to discuss your needs in order to get advice and make appropriate arrangements which may include amendment of cover.
Will this affect my current premium due? If so, when will this adjustment be made?	Yes. Current premiums will increase from 12% to 14% if the time of supply is deemed to have taken place on or after 1 April 2021. The increased rate of 14% comes into effect from 1 April 2021.
How much will that be? (Example, my current premium is P500 plus 14% VAT will be P570)	If your current premium before VAT is P500, that means your current VAT inclusive premium is P560. With effect from 1 April your new premium will be P570. If your current VAT inclusive premium is P500, it means your current VAT exclusive premium is P446.43 (i.e. P500 divided by 1.12). After 1 April it will go up to P508.93 (i.e. P446.43 x 1.14).
What if I paid the balance of my premiums right away, before 31 March, will the change apply or not?	No, the new VAT rate of 14% will not apply as the time of supply would be before 1 April which is when the new rate of 14% takes effect. All premiums paid before and including 31 March 2021 attract VAT at a rate of 12% provided the supply is not exempt or zero rated.

Time of supply	
What determines whether 12% or 14% is applied?	<p>The time of supply, which is determined by or defined as, the earlier date of either invoicing or payment of premium in relation to 1 April will determine the applicable VAT rate.</p> <p>If the time of supply is before 1 April, then VAT at a rate of 12% applies and if it is on or after 1 April 2021 then 14% is applied.</p> <p>By way of example, if a policy is invoiced on 29 March and receipt takes places on 3 April, the time of supply is deemed to be 29 March and will be taxed at 12%. This is because invoicing came first (invoiced on 29 March) and receipting was done later (receipted on 3 April).</p> <p>If a premium is received on 31 March 2021 and the invoice is only raised on 30 April or if it is not raised at all, the date of taxable supply is the date on which the premium was received, therefore, 12% VAT will apply. If the premium was received or the invoice raised on or after 1 April, then VAT at 14% applies.</p>
Bryte does not issue invoices so which document constitutes a tax invoice?	<p>Our policy schedule states that: All premiums are inclusive of VAT and this schedule becomes a Tax Invoice once the full amount has been paid.</p> <p>The VAT rate will be updated to reflect the new rate from 1 April.</p>
An annual policy was renewed in February 2021. No invoice was raised, and the premium was paid on 31 March. What VAT rate is applied?	The VAT rate of 12% is applied since payment was made on 31 March which is before 1 April, the date on which the 14% VAT rate comes into effect.
An annual policy was renewed in February 2021 and the invoice was raised before 1 April. What VAT rate is applied?	The VAT rate of 12% is applied since the invoice was raised before 1 April, the date on which the 14% VAT rate comes into effect.
An annual policy was renewed in February 2021. No invoice was raised, and the premium was paid on 2 April. What VAT rate is applied?	The VAT rate of 14% is applied since payment was made on 2 April, a day after the 1 April date which is when the 14% VAT rate came into effect.
An annual policy was renewed in February 2021 and premiums are payable on the 15 th of every month. What VAT rate is applied?	<p>Monthly premiums which are payable on 15 February and 15 March are taxed at 12% as premiums are payable or fall due for payment before 1 April 2021 – even if the actual payment is received after 1 April.</p> <p>Monthly premiums payable on 15 April; 15 May etc. will be taxed at the 14% rate as these due dates are after 1 April which is when the</p>

<p><i>(Successive supplies rules apply to annual policies settled monthly, quarterly, or half-yearly)</i></p>	<p>14% VAT rate comes into effect. This is, unless the premiums were paid or settled before 1 April in which case, they are taxed at 12%.</p> <p>The key dates test</p> <p>First step or date test is to determine which date occurs first:</p> <ul style="list-style-type: none"> i. the date that the premium becomes due and payable; and ii. actual date on which the premium is paid. <p>Second step or date test is comparing the earlier of the above dates, which is the deemed time of supply (date of supply) to see whether it is before or after 1 April 2021 and assess if the earlier of these dates is before or on/ after 1 April when the 14% VAT rate comes into effect.</p>
<p>Does this mean that if an invoice issued on or after 1 April 2021, it will attract 14% even if the work or transaction was done two years prior?</p>	<p>If and invoice is issued on or after 1 April 2021, VAT will be levied at 14% provided that the premium was not received earlier when a rate of 12% would have applied and declared in the return for the relevant period.</p> <p>It is not common business practice to have a transaction concluded but not invoiced or paid for a period as long as two years after the service was rendered or goods delivered.</p> <p>The VAT Act prescribes that a tax invoice should be issued within two (2) months of service being rendered or goods being delivered and within 14 days from the date the consumer of the service or buyer of the goods request a tax invoice.</p>
<p>Claims/Excesses</p>	
<p>Does this mean that the excess will increase?</p>	<p>No. Excesses (fixed value) will remain unaltered. Claims settlements will, where applicable, also take the increased VAT rate of 14% into account.</p>