

VAT TE: Practical session

NB: *Prices are exclusive of VAT and assume that prices remain unchanged when a product is exempt.*

1. VAT across the supply chain===== Calculate the VAT revenue under this supply chain with a standard rate of 15%. No exemption in this case



Farmer



Mill Factory



Bakery



Final consumer

Sales	200	500	600			
VAT charged on sales	30	75	90			
VAT reclaimed by buyer	30	75	0			
Net VAT on transaction	0	0	90			

NB: Prices are exclusive of VAT and assume that prices remain unchanged when a product is exempt.

2.1. VAT across the supply chain===== Only flour (Miller's produce) is VAT exempt and the standard VAT rate of 15% applies to the other products. What is the VAT revenue under this supply chain?



Farmer



Mill Factory



Bakery



Final consumer

Sales	200	500	600			
VAT charged on sales	30	0	90			
VAT reclaimed by buyer	0	0	0			
Net VAT on transaction	30	0	90			

NB: Prices are exclusive of VAT and assume that prices remain unchanged when a product is exempt.

2.2. VAT across the supply chain===== Flour (Factory's produce) is **zero-rated**, and the standard VAT rate is 15% for all other products. What is the VAT revenue under this supply chain?



Farmer



Mill



Bakery



Final consumer

	Farmer		Mill		Bakery		Final consumer	
Sales		200		500		600		
VAT charged on sales		30		0		90		
VAT reclaimed by buyer		30		0		0		
Net VAT on transaction		0		0		90		

NB: Prices are exclusive of VAT and assume that prices remain unchanged when a product is exempt.

2.3. VAT across the supply chain===== Only wheat (farmer's produce) is VAT exempt and the standard VAT rate of 15% applies to all other products. What is the VAT revenue under this supply chain?



Farmer



Mill



Bakery



Final consumer

Sales	200		500		600	
VAT charged on sales	0		75		90	
VAT reclaimed by buyer	0		75		0	
Net VAT on transaction	0		0		90	

NB: Prices are exclusive of VAT and assume that prices remain unchanged when a product is exempt.

2.4. VAT across the supply chain===== Only bread (Baker's produce) is VAT exempt and the standard VAT rate of 15% applies to all other products. What is the VAT revenue under this supply chain?



Farmer



Mill



Bakery



Final consumer

	Farmer → Mill		Mill → Bakery		Bakery → Final consumer	
Sales	200		500		600	
VAT charged on sales	30		75		0	
VAT reclaimed by buyer	30		0		0	
Net VAT on transaction	0		75		0	

NB: Prices are exclusive of VAT and assume that prices remain unchanged when a product is exempt.

Bonus question

Company ABC, operating in 'East Africa', had an annual turnover of USD 1,000,000 in FY2022. Of this turnover, US\$250,000 is VAT-exempt and US\$250,000 is exported. During the year, the company collected US\$100,000 but only remitted US\$30,000 to the tax authority. Given this information, can you estimate the VAT TE for this company? Let us also assume that the standard rate of VAT is 15 %.

$$\text{VATE} = (250,000) * (0.15) * (0.3) = 11,250$$