



EVOLUTION OF THE RIGHT TO DEDUCT VALUE ADDED TAX IN THE DEMOCRATIC REPUBLIC OF CONGO: SETTING UP OF THE MANDATORY USE OF A STANDARDIZED INVOICE

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The DRC Finance Law 2023 introduces the use of a standardized invoice as a condition for deduction of Value Added Tax: what are the specificities of this measure?

What is the general rule for VAT deduction in DRC?

The principle accepted by Congolese law in terms of VAT deduction is that the value added tax that has been supported upstream on the price elements of a taxable transaction is deductible from the tax applicable to this transaction for taxable persons.

This means in practice that taxable persons are allowed to deduct from the amount of VAT due on transactions (usually for a period of one month), the value added tax paid on the purchase or import of various goods and services.

This authorization applies to both the supply of goods and services made to oneself.

When does the right to deduct value added tax arise?

The right of deduction arises when the value added tax is due by the taxable person. That liability arises the right of the tax authorities to demand payment of the tax from a given date.

However, the tax liability is different depending on whether it concerns the supply of goods, the provision of services or the importation.

- For the supply of goods: VAT is due upon transfer of the power to dispose of the goods as owner, for supplies of goods made to third parties. Also, it becomes payable at the time of the first use or the first putting into service, for the supplies of goods to oneself;
- For the supply of services: VAT is due at the time of collection of the price, of the deposits or advances, for the supply of services to third parties and real estate work. Also, it becomes due on the date of execution of the service, for the supply of services to oneself.
- For imports: VAT is due at the time of registration of the declaration of release for consumption in the DRC, for goods and merchandise imported directly, placed under one of the suspensive regimes or leaving a free zone.

This list is not exhaustive.

What are the generally accepted conditions for VAT deduction in DRC?

Since 2010, VAT could generally be deducted when it concerns a transaction which, not excluded from the right to deduct, appears on:

- An invoice or other document in lieu thereof, duly issued by a taxable person and mentioning his tax number,
- The declaration of consumption established by the customs in case of importation,
- An invoice in case of delivery of goods or services to oneself.

However, the 2023 Finance Law has introduced an additional condition for deductibility, which consists in granting the right to deduct only the VAT that appears on a standardized invoice. This applies even to the supply of goods and services to oneself.

What does the Congolese legislator mean by a standardized invoice?

The standardized invoice is defined as an invoice issued in different formats, provided by one of the Tax electronic devices and including, in addition to the mandatory mentions, security elements that guarantee the authenticity and integrity of the data on the invoice.

The Tax electronic devices (TED) are approved electronic devices or software whose technical specifications are defined by the tax authorities, intended to be used by natural or legal persons on the occasion of their transactions, for the purpose of issuing the standardized invoice.

These Tax electronic devices (TED) can thus exist in physical or dematerialized form. Companies can design these systems themselves, which must be approved by the tax authorities, or they can obtain them from distributors approved by the Congolese tax authorities.

What information must be included on a standardized invoice?

The standardized invoice must contain the following information as provided by law:

- The name, surname, first name or company name, the accurate address, the tax number of the seller or service provider;
- The name, surname and first name or company name, the accurate address of the customer and his tax number;
- The date and serial number of the invoice;
- The description and quantity of goods or services;
- The unit price and the total price of each type of goods sold and/or exported, services rendered or real estate work, distinguishing, if necessary, between the taxable amounts and those relating to non-taxable operations duly justified;
- The prices excluding value added tax of the goods delivered or services rendered;
- The rate of value added tax applied and the corresponding amount of tax;

- The non-taxable amount of the transaction;
- The amount of the transactions including all taxes;
- The amount of any other taxes, if any;
- The identification number of the electronic fiscal device used for invoicing;
- The authentication code of the transaction by the electronic fiscal device and the QR code.

It is clear that this evolution of the Congolese legislation on VAT deduction reinforces the situation of the tax administration with regard to taxpayers by giving it more control means in order to monitor more effectively the activity of taxpayers. We hope that this measure will not hinder the business climate in DRC by unnecessarily encumbering tax procedures. Already, the texts relating to the use of the standardized invoice go so far as to require private companies, non-governmental organizations, legal entities to accept only standardized invoices issued, on the occasion of their transactions of goods and services, by individuals or legal entities eligible for the use of electronic tax devices.

Source

1. Ordinance-Law N°10/001 of August 20, 2010 on the institution of the value added tax, as amended and completed to date by the finance law N°22/071 of December 28, 2022 for the fiscal year 2023;
2. Decree N°011/42 of November 22, 2011 on the implementation measures of the ordinance-law N°10/001 of August 20, 2010 on the institution of the value added tax;
3. Decree N°23/10 of March 03, 2023 on the regulation of the standardized invoice and setting the modalities of implementation of the electronic fiscal devices.