

used to provide entertainment, unless the person's economic activity involves providing entertainment and the entertainment is provided in the ordinary course of that economic activity;

- (b) an acquisition of a membership or right of entry for any person in a club, association, or society of a sporting, social, or recreational nature;
- (c) an acquisition or lease of a passenger vehicle, unless the person's economic activity involves supplying passenger vehicles; or
- (d) an import or acquisition of fuel that was taxed at a value determined under section 171(2).

(6) For the first tax period in which a person becomes a registered person, the person is allowed an input tax credit for goods on hand at the beginning of the period, if—

- (a) the person imported or acquired the goods within the preceding six months; and
- (b) the person has evidence sufficient to satisfy the Commissioner-General that he incurred VAT paid on those goods.

177. Partial input tax credit

(1) This section applies to input tax incurred on goods or services acquired or imported by a registered person for use in the person's economic activity but only partly for the purpose of making taxable supplies.

(2) This section applies only after establishing the amount of the input tax credit available under section 176.

(3) For each tax period, the amount of the credit allowed for input tax to which this section relates is calculated according to the following formula—

$$I \times \frac{T}{A}$$

where—

I is the total amount of input tax allowed under section 176;

T is the value of all the taxable supplies made

by the registered person during the tax period; and

A is the value of all the supplies made by the registered person during the tax period.

(4) The amount of the input tax credit allowed to a registered person under subsection (3) for a tax period is provisional, and at the end of each accounting year, an annual adjustment is made as follows—

- (a) add up all the input tax credits allowed under subsection (3) for each of the twelve tax periods of that accounting year;
- (b) apply the formula in subsection (3) as if references to "the tax period" in the definitions of "I", "A", and "T" were references to the relevant accounting year;
- (c) work out the amount of the adjustment by subtracting the amount worked out under paragraph (b) from the amount worked out under paragraph (a);
- (d) if the adjustment so calculated is a positive amount, it is treated as additional output tax for the first month of the following accounting year;
- (e) if the adjustment so calculated is a negative amount, it is treated as additional input tax for the first month of the following accounting year.

(5) For the purposes of subsections (3) and (4)—

- (a) supplies made through an economic activity carried on at a permanent establishment of the person outside The Gambia shall not be included in T or A in the formula, and
- (b) the fraction T/A is rounded as follows—
 - (i) if it is more than 0.90: a credit is allowed for all of the input tax allowed under section 176; and
 - (ii) if it is less than 0.10: no credit is allowed.

(6) In the case of a financial institution (other than a life insurance company), in lieu of applying subsections (3) and (4), the proportion of input tax credit allowed under this section is determined in regulations.