

# VAT Alert

29 August 2011

## Voluntary Disclosure Program – Time is running out!

*A voluntary disclosure program (“VDP”) was introduced effective from 1 November 2010 to encourage taxpayers to disclose any tax defaults and regularise their tax affairs. The VDP applies to all taxes, including VAT, and is available to tax payers from 1 November 2010 to 31 October 2011.*

### Who may apply for the VDP?

Any person may apply for the voluntary disclosure relief, unless the person is aware of an audit or investigation by the South African Revenue Service (SARS) that is pending or has commenced, but has not yet been concluded. However, SARS may nevertheless allow a person to apply for voluntary disclosure relief if the default would not otherwise have been detected during the audit or investigation and the application would be in the interest of good management and the best use of SARS’s resources.

### Effect of VDP

Once a voluntary disclosure agreement has been concluded with the vendor, the intention is that SARS

- may not pursue criminal prosecution;
- must grant 100% relief for penalties and additional tax (excluding a penalty imposed for the late submission of a return or for the late payment of tax);
- must grant 100% relief for interest (although the relief will be limited to 50% where the person had knowledge of an audit by SARS); and
- must issue an assessment for the payment of VAT due in accordance with the agreement, which assessment will not be subject to objection, appeal or internal review.



### What should you do?

Businesses should, without delay, investigate their VAT affairs to determine whether an application for VDP relief should be submitted.

Vendors should carefully analyse their past transactions to establish whether VAT has been correctly accounted for in all cases. The VDP presents

an opportunity to regularise intra-group transactions, barter transactions, and any other transactions which may have been overlooked for VAT purposes, prior to 17 February 2010.

Local and foreign businesses, which are not registered as VAT vendors, but which have a VAT registration liability, will also have the opportunity to apply for

VAT registration and to organise their affairs, without facing interest and additional tax.

We can assist you in assessing your VAT risk, determining your VAT liabilities and applying for voluntary disclosure relief.

Please contact one of our indirect tax specialists below for further information.

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