

VAT Alert

8 September 2011

Back-dating of apportionment methods



SARS has proposed a VAT amendment which would effectively limit the period for obtaining refunds for past tax periods in the case of retrospective approval of a vendor's apportionment methodology.

A vendor making both taxable and exempt supplies must use an approved apportionment method to calculate its deductible input tax. If the vendor applies for approval to use a new apportionment method, the new method will generally apply with effect from a future tax period, or from such other date as the Commissioner for SARS may consider equitable. Under certain circumstances SARS has approved a

new apportionment method retrospectively for a five year period.

A significant VAT amendment has been proposed by the Tax Administration Bill, 2011, which will have the effect of limiting the SARS discretion to approve an apportionment methodology retrospectively for a five year period. This would significantly reduce the refunds, and thus cost savings, that a vendor may be entitled to.

Currently, the proposed amendment provides that where an apportionment method is approved by SARS, the effective date of any new method cannot be earlier than the beginning of the current financial year in which the ruling application is submitted.

The effect of the proposed amendment is that, once the amendment has become law, which is likely to happen before the end of 2011, SARS will no longer have a discretion to allow a retrospective apportionment method for a five year period. Vendors considering the implementation of a new apportionment methodology for past tax periods, should thus submit their applications for apportionment method changes without delay. We can assist vendors to prepare the required motivated ruling requests. Please contact one of our indirect tax experts listed below.

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