

# VAT Alert

1 March 2012

## Back-dating of apportionment methods – Reminder

*The amendment proposed by SARS 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 will soon become law!*

### Effect of the change

The VAT amendment proposed by the Tax Administration Bill, 2011, will have the effect of limiting the SARS discretion to approve an apportionment methodology retrospectively for a five year period.

Presently, if a vendor applies for approval to use a special apportionment method, the special 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 special apportionment method retrospectively for a five year period.

The effect of the proposed amendment is that, once the tax administration bill is promulgated, which is anticipated soon, SARS will no longer have discretion to allow a retrospective apportionment method for a five year period.

The effect of this change is that it would significantly reduce the refunds, and thus costsavings, that a vendor may be entitled to.

### Who will be affected?

Any vendor making both taxable and exempt supplies must use an approved apportionment method to calculate its deductible input tax. If a vendor is considering the implementation of a special apportionment methodology, applications for approval must be made to SARS.

### What should you do?

Businesses should investigate their apportionment methods to determine whether it results in optimal input tax recovery and whether an application for a special method on a retrospective basis should be submitted to SARS. Applications to SARS for approval of method changes should be submitted without delay.

We can assist vendors to prepare the required motivating ruling requests.

Please contact one of our indirect tax specialists listed below.

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