

VAT payable

VAT is payable at 14% (unless an exception applies) on:

- Taxable supplies of goods or services by a vendor in the course or furtherance of an enterprise, e.g.:
 - Sales of manufactured or imported products and fixed property;
 - Construction, professional, medical, entertainment, accommodation, municipal, telecommunication, postal and transport services;
- Importation of goods by any person; and
- Imported services acquired by a resident of South Africa ('SA') from a non-resident (who is not a VAT vendor in SA), for non-taxable purposes.

VAT not payable

Exempt supplies (no VAT is charged and no input tax credit may be claimed by supplier):

- Financial services, e.g. interest, life insurance premiums, medical scheme premiums and pension and retirement annuity fund contributions, but not service fees;
- Passenger transport in SA by road or railway;
- Educational services rendered by the State or qualifying institutions, crèche and after-school services;
- Donated goods or services supplied by an association not for gain;
- Residential accommodation in a dwelling, but not holiday accommodation;
- Leasehold land used for accommodation in a dwelling;
- Sale or letting of fixed property situated outside SA;
- Management services supplied by a sectional title body corporate, share block company or housing development scheme for retired persons;
- Membership contributions payable by employee organisations;
- Supply of goods while they are in a licensed Customs and Excise storage warehouse (unless zero-rated); and
- Sales or services by a person who is not registered as a vendor for VAT purposes.

Zero-rated supplies (VAT is charged at 0% and input tax credit may be claimed by supplier):

- Exportation of goods (if all requirements are met);
- Sale of an enterprise as a going concern;
- Certain supplies of unmanufactured gold and of gold coins;
- Certain agricultural products supplied to farming vendors;
- Basic foodstuffs:
 - Brown bread and brown wheaten meal;
 - Maize meal, samp, mealie rice and dried mealies;
 - Dried beans, lentils, edible legumes and rice;
 - Pilchards or sardinella in tins or cans (excluding pet food and sardines);
 - Milk, cultured milk, milk powder and dairy powder blend;
 - Vegetables and fruit; and
 - Vegetable oil and eggs.
- Illuminating kerosene (paraffin) used for illuminating or heating;
- Fuel levy goods and petroleum oil;
- Compensation for destroyed animals;
- Supply of goods while they are in a licensed Customs and Excise storage warehouse;
- Supply of goods by an inbound duty and tax free shop;
- International transport of passengers or goods - outside, to or from SA;
- Local leg of international aircraft carriage of passengers;
- Local leg of international transport of goods;
- Certain services relating to goods outside SA or goods temporarily admitted;
- Certain services relating to foreign-going ships or aircraft or a foreign-operated railway train;
- Services physically rendered outside SA or in a customs controlled area;
- Services supplied to a non-resident, but not services supplied directly in connection with goods in SA (with certain exceptions), or to the non-resident or another person who is in SA when services are rendered, and

not agreements for refraining from carrying on an enterprise in SA;

- Intellectual property rights used outside SA;
- Certain government grants, housing subsidies and international donor funds;
- Vocational training of employees of non-resident employers;
- Certain warranty services supplied to non-residents;
- Horse-racing winnings; and
- Municipal property rates.

Exempt imports

The importation of certain goods is exempt from VAT, generally when a customs duty exemption also applies or where a local supply would qualify for zero-rating, e.g. basic foodstuffs.

VAT registration

Compulsory registration

A person carrying on an enterprise continuously or regularly, wholly or partly in SA, must apply to the South African Revenue Service ('SARS') for registration as a vendor for VAT purposes, if the total value of taxable supplies:

- has exceeded R1 million in the previous 12 months (R300,000 prior to 1 March 2009); or
- there are reasonable grounds for believing that that limit will be exceeded in the following 12 months.

Voluntary registration

Allowed only if certain requirements are met, e.g. if taxable supplies have exceeded R20,000 in the previous 12 months. R20,000 limit expected to be increased to R50,000 with effect from 1 March 2010.

Accounting for VAT

Output tax

- VAT charged by a vendor on taxable supplies of goods or services.
- Calculated as $14/114 \times \text{consideration (in cash or kind)}$ for the supply.

Input tax

- VAT incurred by a vendor on the acquisition of goods or services to make taxable supplies.
- Input tax may be deducted from output tax on VAT return (if documentary requirements are met), within 5 years (6 months where non-deduction was in line with practice generally prevailing).
- Input tax is expressly denied on:
 - Entertainment expenses, with certain exceptions, e.g. for entertainment businesses;
 - Motor cars (i.e. passenger cars), with certain exceptions, e.g. for dealers and rental firms; and
 - Subscriptions for social and sporting clubs.
- Input tax apportionment:
 - If VAT is incurred for taxable supply purposes and other purposes, the VAT must be apportioned to calculate deductible input tax (unless intended taxable use is at least 95%).
 - Standard apportionment method: turnover-based method.
 - Other methods: SARS' permission is required.

Time of supply

- General rule: When consideration (not a deposit) is received by the supplier, or an invoice is issued.
- Various special rules apply.

Value of supply

- General rule: The consideration (in cash or in kind) given for a supply.
- Various special rules apply.

Accounting basis

Basis	Effect	Persons eligible
Payments basis	Output tax and input tax are accounted for in tax period when and to extent that payment is received or made	<ul style="list-style-type: none">• Natural person or unincorporated body with natural person members if turnover is R2.5 million or less• Public authorities, municipalities, municipal entities, REDs, Water Boards;• Associations not for gain.

Basis	Effect	Persons eligible
Invoice basis	Output tax and input tax accounted for in tax period when time of supply occurs	All vendors who do not qualify for or elect payments basis.

Tax periods

A vendor's tax period determines how often VAT returns must be submitted to SARS.

Category	Duration	Circumstances
C	1 month	<ul style="list-style-type: none"> Annual taxable turnover is in excess of R30 million Any other vendor – on application
D	6 months	Agricultural enterprises <ul style="list-style-type: none"> On application If annual taxable turnover is R1.5 million or less
E	12 months	Companies and trusts letting goods and providing administrative services to related persons on annual basis – on application
F	4 months	Small businesses <ul style="list-style-type: none"> On application If annual taxable turnover is R1.5 million or less
A & B	2 months	All other vendors

VAT documentation

Tax invoices

If the consideration for a taxable supply exceeds R3,000, a FULL tax invoice must be issued, containing the following particulars:

- 'Tax invoice';
- Individual serialised invoice number;
- Name, address and VAT registration number of supplier;
- Name, address and VAT registration number (if applicable) of recipient;
- Date of issue of invoice;
- Quantity or volume of goods or services;
- Full and proper description of goods or services supplied; and
- Amount charged:
 - Excluding VAT, the VAT and amount charged including VAT, or

- Including VAT, with statement that VAT is included at 14% or 0%.

If the consideration does not exceed R3,000, the following information may be omitted from the tax invoice:

- Name, address and VAT registration number of recipient; and
- Quantity or volume of goods or services.

Second-hand goods and repossession under instalment credit agreement

- If the consideration is R1,000 or more, the completed form VAT 264 must be obtained.
- If the consideration is less than R1,000, details of the supplier and transaction must be retained.

Important VAT time limits

Event	Time limit
Registration as VAT vendor	Application must be made within 21 days after becoming liable.
Tax invoices	Must be issued within 21 days of date of taxable supply.
Input tax deductions	Must be deducted within 5 years, or 6 months where non-deduction of input tax was in line with practice generally prevailing.
Zero-rated exports	Goods must be exported within 2 months from date of invoice or payment. Prescribed documentation must be obtained within 3 months.
VAT refund claims for exports	Tourists or other qualifying purchasers must export goods within 90 days from date of tax invoice. VAT Refund Administrator must receive the refund request and documentation within 3 months after date of export.
Imported services	Form VAT 215 must be submitted and VAT paid to SARS within 30 days.
Creditors not paid in 12 months	Input tax claimed must be reversed by accounting for output tax in tax period following expiry of period of 12 months.
VAT returns and payments to SARS	<ul style="list-style-type: none"> Cash, cheque, internet payment or electronic funds transfer: return and payment by 25th of month or last business day before that date; Debit order: return by 25th of month or last business day before that date, payment by last business day of month; and SARS e-filing: return and payment by last business day of month.
Refunds due by SARS	Must be refunded within 21 business days (with certain exceptions), otherwise interest is payable to vendor.
Objections	Objections must be lodged within 30 business days after date of assessment.

Event	Time limit
Record-keeping	Records must be kept for a period of 5 years. After first year, the vendor may apply to keep certain records solely in electronic form.
Notification of change of status	SARS must be notified within 21 days of change in name, address and other details.
Prescription of SARS' VAT claim	After 5 years, unless assessment was issued or non-payment was due to fraud or negligence.

VAT services provided by PricewaterhouseCoopers, South Africa

Our VAT team can assist you in the effective management of your VAT obligations and risks. Our services include:

- VAT consulting and reviews
- Obtaining rulings from SARS
- Compliance services
- Assistance with disputes, objections and appeals
- VAT training

Please contact one of our Indirect Tax specialists for assistance:

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