Synopsis

Tax today

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A monthly journal, published by PwC South Africa, that gives informed commentary on current developments in the tax arena, both locally and internationally.

Through analysis of and comment on new laws and judicial decisions of interest, Synopsis helps executives to identify developments and trends in tax law and revenue practice that may affect their business.

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The ‘sole or main purpose’ test under the GAAR: observations on *Company AF (Pty) Ltd and Others v CSARS*

In a previous note, ‘The tax benefit enquiry under the GAAR’ (July 2026 Synopsis), I considered the Tax Court’s treatment of the tax benefit requirement in *Company AF (Pty) Ltd and Others v Commissioner for the South African Revenue Service*[1] (‘*Company AF*’). This follow-up focuses on the next stage in the general anti-avoidance rule (‘GAAR’) enquiry: whether the sole or main purpose of the arrangement was to obtain that tax benefit.

For readers, the judgment is important because it clarifies four aspects of the GAAR.

First, the purpose enquiry under section 80A, read with section 80G, is objective rather than merely subjective.

Secondly, the existence of a genuine commercial transaction does not answer the statutory question of whether the impugned structure could be distinguished from the underlying commercial deal.

Thirdly, where mixed motives exist, the court will ask which purpose predominated in the choice of form.

Fourthly, the section 80G(1) presumption is real: once SARS proves an arrangement, a tax benefit and tainted elements, the taxpayer must rebut the inference that obtaining the tax benefit was the sole or main purpose.

Statutory framework and burden

Section 80A requires that the sole or main purpose of the ‘avoidance arrangement’ must be to obtain a tax benefit. Section 80G(1) creates a rebuttable presumption to that effect once the other jurisdictional facts have been established. As the court put it, SARS bears the onus of establishing the existence of the arrangement, the tax benefit, and the tainted elements. Once those have been shown, section 80G(1) “raises a rebuttable presumption that the sole or main purpose was to obtain the tax benefit, which the taxpayer must displace on a balance of probabilities”.

1 (IT 76725; IT 76750; IT 76751; IT 76752; IT 76753; IT 76754; IT 76755) [2026] ZATC 6 (3 July 2026).

That sequencing matters. A taxpayer is not required, at the outset, to prove a benign purpose. But once SARS has established the earlier elements, the evidential and persuasive burden shifts in a meaningful way.
The taxpayer must do more than point to a general commercial rationale for the transaction. It must show, on an objective assessment of all the facts, that the tax benefit was not the sole or main purpose of the arrangement.

The objective character of the enquiry

One of the central features of the judgment is its reliance on *Absa Bank Ltd v Commissioner for the South African Revenue Service*[2] ('*Absa Bank*') for the proposition that the purpose enquiry is objective. The court held that this was not an obiter aside from the apex court, but part of the binding reasoning. Accordingly, the court considered itself bound by that finding of the Constitutional Court.
The relevant question then is not simply what the taxpayer says it intended. Rather, it is "the purpose the arrangement is reasonably to be regarded as having in the light of all the relevant facts and circumstances".

2 CCT 72/24) [2026] ZACC 15.

This is a critical point. Taxpayers often lead evidence from executives, advisers, or transactional personnel that the deal was commercially driven, market-related, or consistent with ordinary structuring practice. That evidence is not irrelevant. But it is not decisive. The court was clear that the statutory enquiry is not discharged "merely by professing a benign state of mind".

Equally, the objective test is not irrebuttable. The court accepted that the presumption may be displaced by objective material, such as proof that the impugned structure was required by an independent third party for non-fiscal reasons or that the feature said to be fiscal in fact served a substantial commercial function that an ordinary transaction would not have served.

That formulation gives useful practical content to section 80G(1). It suggests that taxpayers resisting the presumption need evidence of functional necessity or incremental commercial utility, not merely evidence that they wanted to complete a real transaction and were pleased that it was tax efficient.

Distinguishing the purpose of the deal from the purpose of the structure

The most important (and controversial) analytical aspect of the judgment is the distinction between:

1. the purpose of doing the deal; and
2. the purpose of giving the deal the form it took.

The court held that these purposes had to be kept apart. The appellants undoubtedly had a genuine commercial objective: to realise the value of their investment while ANCIENT acquired control of the target. The court accepted that objective and recorded that SARS did not dispute it. But that was not the statutory question, the court stated. Section 80A asks whether the sole or main purpose of the arrangement was to obtain a tax benefit. Where commercial and fiscal purposes coexist, the inquiry is which of them predominated in the choice of the impugned structure.

However, the court's formulation and application of the principle deserve closer attention:

"A genuine commercial reason for doing the deal does not answer the different question of why the deal was given this form."

Arguably, this is where the judgment strays into problematic territory. The context is important.
The arrangement that SARS assessed the taxpayers on was the entire four steps, comprising the dividend declaration, the share subscription, the dividend payment, and the sale of shares. SARS identified the declaration and payment of the dividend and the dependent subscription for shares as the "additional elements" which had no commercial effect other than to avoid tax on the sale of the shares by the appellants. However, in its rule 31 statement, SARS attempted to introduce an alternative basis for the application of the GAAR, pleading that the 'additional elements' were themselves an impermissible avoidance arrangement.

On the face of it, the reason why SARS sought to do this is obvious. The sale of the shares by the taxpayer was clearly commercially driven and was, arguably, the overriding purpose of the composite arrangement that included that step. After all, it was the combination of the four steps that resulted in the appellants disposing of their interests in RASS Investments (Pty) Ltd and realising the value of their investments. SARS seemingly recognised that this was a weakness in its case and therefore sought to define the impermissible avoidance arrangement more narrowly to exclude the sale step.

The court, correctly, on the authority of the recently decided *Commissioner for the South African Revenue Service v Erasmus*[3], held that SARS was not entitled to introduce this new ground at the appeal stage and was confined to the composite transaction, which included the sale of the shares.

However, the court then foreshadowed its later reasoning in the judgment in addressing the question of sole or main purpose:

"Striking the alternative does not require the Court to treat the composite transaction as a seamless, indivisible whole to be examined only from the outside. Section 80L defines an 'arrangement' to include any scheme, including all steps therein or parts thereof, and that definition runs throughout Part IIA. **When the question is whether the composite transaction is an impermissible avoidance arrangement, it is both legitimate and necessary to examine its constituent steps and the way they interlock**. The purpose of the arrangement, and the presence or absence of a tainted element, can be assessed only by looking at what the steps do and how they fit together. Analysing the role of the dividend and subscription steps within the composite transaction is a different thing from treating those steps as a separate arrangement for the purposes of the assessment." (our emphasis)

3 [2026] 2 All SA 27 (SCA).

Mixed motives and predominance

The judgment recognises that sophisticated transactions typically involve both commercial and tax purposes. The statutory task is to determine which was the main motive in relation to the arrangement.

On the facts, the court accepted that the sale and change of control were commercial. But it concluded that the pre-closing dividend funded by the purchaser's subscription "added nothing to the commercial result". The commercial objective could have been achieved by a straightforward sale of shares. The inserted mechanism's "one discernible function" was to convert what would otherwise have been taxable sale proceeds into an exempt inter-company dividend.

That finding effectively decided the predominance question in the mind of the court. Once the court concluded that the mechanism made no incremental commercial contribution to achieving the business objective, the fiscal explanation became the main explanation for its inclusion:

"A genuine commercial reason for doing the deal does not answer the different question of why the deal was given this form."

This is where the judgment interacts closely with the tax-benefit analysis. The same comparator — a straightforward sale achieving the same commercial end — informs both enquiries. But the focus shifts. In the tax-benefit enquiry, the question is what fiscal advantage the mechanism produced relative to that comparator. In the purpose enquiry, the question is why the mechanism was chosen despite the availability of that ordinary route.

The court then sharpened the enquiry by formulating it as a kind of but-for test but, importantly, one directed at the structure rather than the deal. It asked whether, absent the tax benefit, "this particular mechanism would still have been chosen". On the evidence, the answer was no.

This is where the problem arguably arises. The so-called 'choice principle', as established in *Commissioner for Inland Revenue v Conhage (Pty) Ltd* (formerly Tycon (Pty) Ltd)[4], provides that a taxpayer may choose the most tax-efficient means of achieving a given commercial result. This principle was reaffirmed by the Constitutional Court in *Absa Bank Ltd and Another v Commissioner for the* South African *Revenue Service*[5] and was acknowledged by the court in this matter.

4 1999 (4) SA 1149 (SCA).

5 (CCT 72/24) [2026] ZACC 15.

In its judgment, the court correctly points out that "what *Conhage* protects is a choice between different means of achieving the same commercial result". In the context of this matter, however, the court states that "Here the commercial result the appellants sought, a sale and a change of control, was fully achieved by the sale itself. The dividend-and-subscription mechanism was not an alternative means of effecting a sale."

In my view, this is where the court arguably erred. It appears to have conflated the test of whether there is a tax benefit with the sole or main purpose of the arrangement. As the court itself acknowledged, the appellants had a genuine commercial objective to realise the value of their investment. The ordinary-sale comparator is relevant but not determinative of purpose, because the judgment, correctly, treats the GAAR requirements as distinct while allowing the same facts to bear on more than one requirement.

It is apparent that the sole or main purpose must be tested against the actual arrangement entered into and not against an alternative arrangement that could have achieved the same commercial effect. The comparator's function at the tax-benefit stage, where it measures the fiscal delta between the actual structure and the transaction stripped of avoidance features, should be distinguished from its evidential role at the purpose stage, where it helps test whether the dividend/subscription steps had an incremental non-tax function. In that regard, while the dividend and subscription mechanism clearly gave rise to a tax benefit, it seemingly still had a commercial function, as this is the mechanism by which the bulk of the value of the investment was realised in the context of the arrangement that was actually entered into.

I would suggest that, by considering not only the purpose of the arrangement but also its form in applying the purpose element of the GAAR, the court overreached and effectively overrode the choice principle.

The takeaway

The Tax Court's treatment of the sole or main purpose test in *Company AF* is, in my view, doctrinally unsound. It confirms that the enquiry under section 80A, read with section 80G, is objective; that mixed motives are possible; and that the critical distinction is between the purpose of the commercial transaction and the purpose of the structure selected to implement it. It is the last aspect which is problematic. The judgment raises a difficult boundary question between permissible tax-efficient structuring and the impermissible insertion of tax-driven steps.

The judgments of Tax Courts do not create binding precedent, but they are of persuasive authority. It is not yet clear whether this matter will be taken on appeal to a higher court, but it is to be hoped that this aspect of the judgment will be revisited and greater clarity provided on how the choice principle coexists with the GAAR.

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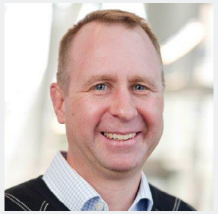

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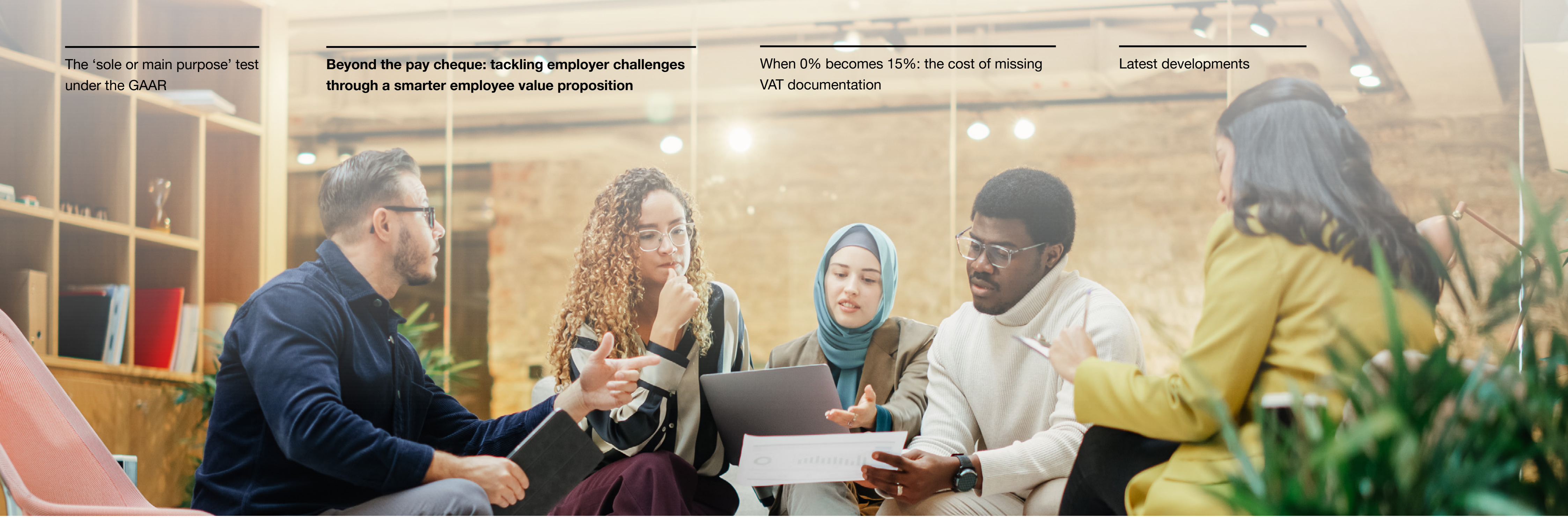


Beyond the pay cheque: tackling employer challenges through a smarter employee value proposition

In today’s environment of rising financial pressure, constrained reward budgets, and intensifying competition for talent, employers face a difficult balancing act: delivering a compelling employee experience without continuously increasing payroll costs. While salary remains important, organisations are increasingly discovering that the real differentiator lies in how rewards are structured and experienced by employees. A thoughtfully designed Employee Value Proposition (‘EVP’) can help employers address some of their most pressing workforce challenges, often by unlocking greater value from existing reward spend rather than simply spending more.

PwC’s Africa Workforce Hopes and Fears Survey 2025 (‘PwC Hopes and Fears Survey’) indicates that financial security across the African workforce has declined since 2022.

The financial reality for African households

32% of African households have money left for savings

VS 42% globally

47% of African households an only cover bills with little or nothing left over

VS 42% globally

Employees are raising their expectations

45% of employees plan to ask for a **pay rise**	45% of employees plan **to seek a promotion**

and employees are increasingly considering changing employers.

As we explored in our previous article, '[Unlocking talent potential through a tax-savvy employee value proposition', (April 2026 Synopsis)], tax-efficient package structuring can serve as a strategic lever for enhancing the EVP by increasing the practical value of existing reward spend. In a constrained reward environment, the question is no longer only "how much can we pay?" but "how intelligently can we structure what we already spend?"

Five employer challenges demanding a fresh approach

Research and market trends reveal five interconnected challenges that a strategically designed EVP can address directly:

1. Retention without spiralling costs

In a market where skilled employees are actively being approached by competitors, loyalty cannot be secured through annual increases alone. Retention is complex to understand, but we do know that employees are more likely to stay where their overall package helps them manage real financial pressure points – particularly housing, daily living costs, and long-term wealth creation. Tax-efficient structures can strengthen this retention proposition by increasing the practical value employees receive from the same cost-to-company spend. For example, equity-linked savings arrangements can encourage longer-term commitment through structured wealth accumulation, while employer-supported housing benefits can reduce the cost of one of the most significant household expenses. Properly designed, these mechanisms can deepen employee attachment without permanently increasing fixed remuneration.

2. Recruitment differentiation

When salary bands converge across competitors (particularly if the proposed Fair Pay Bill[1] is signed into law), employers need more than just competitive headline pay to make them stand out. Candidates increasingly assess the total value of the offer, including how far their remuneration will go in practice. Organisations that can demonstrate **innovative**, unique benefit packages, including tangible support for cost-of-living pressures (such as increased take-home value or meaningful accommodation support at the same cost-to-company level), create a stronger offer proposition and a more distinctive employer brand.

3. Productivity and presence

Time lost to employees managing everyday logistics – from commuting and childcare to access to meals, healthcare, financial support, and essential services – carries a real, if often hidden, productivity cost. Beyond the tax-efficient benefits available under existing legislation, employers should also be revisiting their broader benefits universe to identify practical support that reduces day-to-day friction for employees, even where this does not produce a specific tax advantage. More creative benefit design, including items such as transport support, dependent-care solutions, flexible working arrangements, and practical wellbeing support, can improve employees' ability to be present, focused, and productive.
The opportunity is not to overstate any single benefit but to recognise that the right combination of support can remove barriers that otherwise erode engagement and performance.

1 Employment Equity Amendment Bill, 2026.

4. Employee well-being as a business imperative

For many employees, financial stress is not an abstract wellbeing issue; it shows up in day-to-day decisions, as indicated by the PwC Hopes and Fears Survey statistics mentioned above. These pressures affect how employees experience work, how secure they feel, and how much value they believe they receive from their employer. A well-designed EVP should therefore go beyond traditional wellness programmes and address the practical financial pressures that sit behind employee wellbeing. Tax-efficient benefits are one way to do this, but the broader principle is more important: employers need to design benefits that make the employment package feel materially more useful in employees' real lives.

Doing more within existing budgets

Perhaps the most pressing challenge is employers' expectation that reward teams enhance the employee offering without increasing fixed remuneration.
This requires a shift from simply adding new benefits to thinking more deliberately about how reward is structured. In this environment, budget pressure can become a catalyst for more creative and disciplined reward design.

The EVP response: understanding why structure delivers impact

What connects these five challenges? Each can be materially addressed by restructuring how remuneration is delivered without increasing fixed remuneration.

In our first article, we introduced the concept that South African tax legislation, particularly the Seventh Schedule to the Income Tax Act[2], contains specific provisions that allow employers to convert everyday employee expenses into more tax-efficient employer-provided benefits.
It identified five benefit categories:

1. Equity-linked savings
2. Meal benefits
3. Housing/Accommodation support
4. Communication devices
5. Transport solutions

Each of these categories is underpinned by a tailored PwC solution designed for scalable implementation across diverse workforces.

2 58, 1962.

The financial logic is straightforward: where the same rand is structured differently, it can potentially deliver greater practical value to the employee. The aim is not to increase total investment but to make existing reward spend work harder by targeting expenses that employees are already incurring, such as housing, meals, communication, and transport.

Precise structuring matters

The legislative framework creates real opportunity, but the tax treatment of employer-provided benefits depends on careful execution.

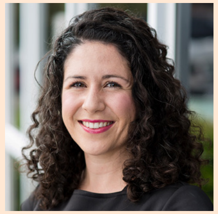
Small differences in design can materially affect the outcome. This includes how the arrangement is contractually structured, who bears the obligation and cost, and whether specific qualifying criteria are met.

Employers therefore need clear policies and agreements, accurate payroll and reporting that are aligned with SARS' requirements, and employee communication that enables the benefits to be properly understood and used.

Done well, these structures can deliver meaningful value to employees. Done poorly, they can create unexpected tax exposure, payroll complexity, and SARS scrutiny. The opportunity is clear, but it must be implemented with discipline.

In the current environment, employers may not always have the flexibility to respond to financial pressure experienced by employees by offering higher salaries or expanding the budget. But that does not mean there are no levers to pull. The opportunity is to revisit the employment package through both an employment tax and EVP lens, identifying where tax-efficient structuring can unlock additional value and where broader benefit design can better address the pressures employees are actually experiencing. Done properly, this is not simply a tax exercise or a benefits refresh. It is a practical way to make reward spend work smarter and go further while building an EVP that employees can recognise and use.

Contacts:



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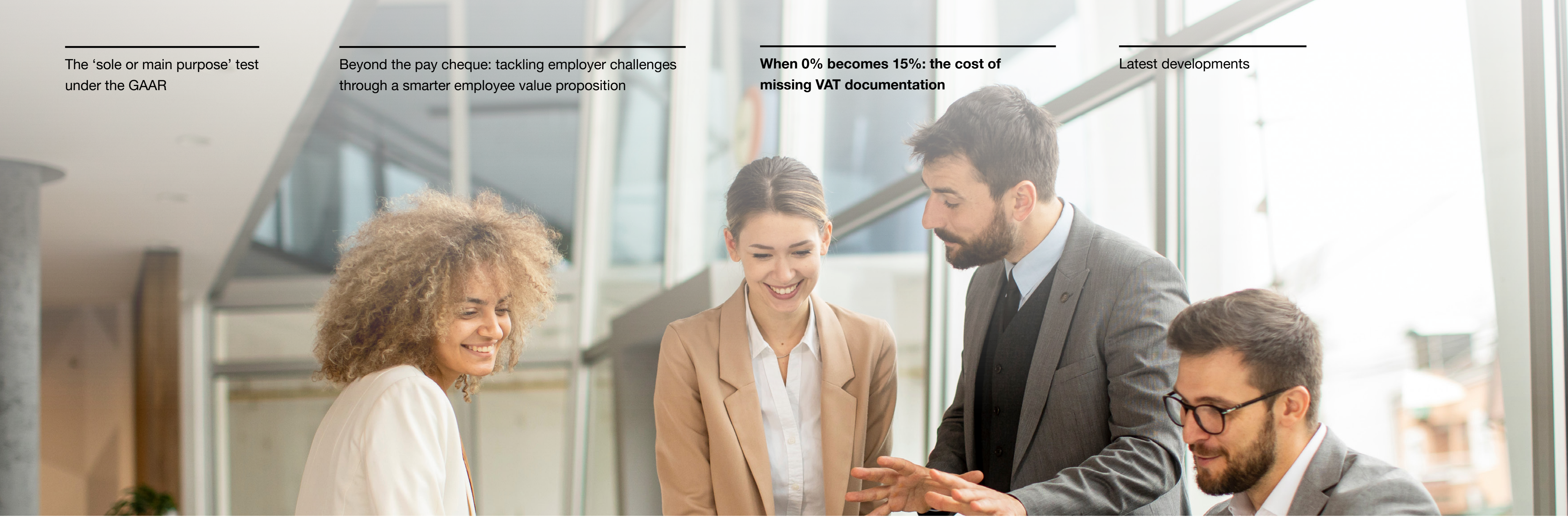


When 0% becomes 15%: the cost of missing VAT documentation

Interpretation Note No. 31 ('IN31') remains SARS' core guidance on the documentary proof that a vendor must obtain and retain to justify the zero-rating of supplies of goods or services falling under section 11 of the VAT Act.

SARS has published an updated version of IN31 which refreshes the documentary proof that vendors are required to keep.

Background

SARS has published the fifth issue of IN31, dated 17 July 2026. Issue 5 replaces Issue 4, which had been in effect since 9 March 2016, and updates the list of documents acceptable to the Commissioner that vendors must obtain and retain for purposes of substantiating zero-rated supplies of goods and services falling under section 11 of the VAT Act[1].

The update is a timely reminder that the levying of VAT at the zero rate is not an automatic outcome merely because a supply falls within a qualifying category.

Section 11(3) operates as the documentary gateway to the zero rate, as a supply cannot be safely treated as being zero-rated unless the vendor holds documentary proof acceptable to the Commissioner. Section 11(3) affords the

1 Value-Added Tax Act, 89 of 1991.

Commissioner for SARS the discretion to stipulate what documentary proof will satisfy the vendor's entitlement to apply the respective zero-rating provisions.

From a practical perspective, this means that the VAT treatment of a transaction is only as strong as the evidence supporting it. In an audit or verification, SARS will generally test whether the vendor can produce the specific documents required in IN31 within the prescribed time period and in a form that supports the zero-rating applied.

This article considers why documentation is central to the VAT system, what IN31 Issue 5 changes in practical terms, and why vendors should treat the update as an opportunity to refresh their VAT governance, controls, and commercial contracting processes.

The key issue

The core issue is evidentiary rather than conceptual. A vendor may understand the zero-rating provision, may have issued a zero-rated tax invoice, and may even have supplied goods or services in circumstances that appear commercially consistent with the zero rate. However, if the supporting documents are incomplete, late, inconsistent, or unavailable, the zero-rating is at risk.

In that sense, documentary proof is not merely an administrative requirement but a substantive compliance condition that protects the vendor's entitlement to apply the zero rate and, equally importantly, protects the vendor's commercial position if SARS should later challenge the VAT treatment.

Legislative framework

South Africa's VAT system generally applies the standard rate to tax supplies of goods and services made by a vendor in the course or furtherance of an enterprise. Section 11(1) and section 11(2) identify specific categories of goods and services that may be taxed at the zero rate, including various export-related supplies and other prescribed transactions.

The benefit of zero-rating is significant. The vendor charges VAT at 0% on the qualifying supply, while still retaining the ability to deduct input tax incurred for the purpose of making taxable supplies. This distinguishes zero-rated supplies from exempt supplies, where input tax recovery is denied.

IN31 sets out SARS' view of the documentary proof that will generally be regarded as acceptable to it to prove the vendor's entitlement to apply the zero rate for the relevant categories of supplies.

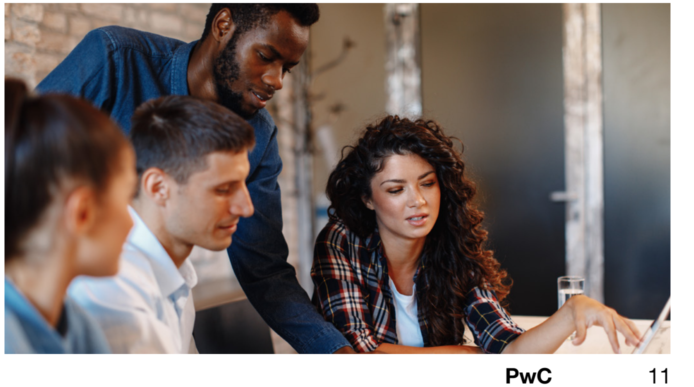
IN31 therefore sits at the intersection of the tax technical analysis and practical compliance. The technical question is whether the supply falls within section 11(1) or section (2), whereas the practical question is whether the vendor can evidence that treatment through the required documentation.

Why documentation matters in the VAT system

VAT is both a self-assessment and a transactional tax. Vendors determine the VAT treatment of their supplies at a transactional level, submit VAT returns, and claim deductions based on their own records, systems, and judgments. Documentary proof is therefore crucial and central to the integrity of the system, as it provides an audit trail that enables SARS and the vendor to verify or justify the VAT treatment adopted.

In the zero-rating context, the documentation must usually do more than merely confirm that a supply took place. It must also evidence the specific factual requirements of the relevant zero-rating provision applied — for example, the identity and status of the recipient, the destination or use of the goods, the location where services are rendered, the existence of a qualifying contract, proof of payment, proof of export, or other transaction-specific requirements.

This evidentiary function is particularly important, because many zero-rated supplies are cross-border or specialised transactions where the facts may be difficult to reconstruct months or years later. If the documentation is not collected at the time of the transaction, it may be impossible to obtain later, especially if the customer is offshore, the goods have been moved across borders, or the relevant commercial team has changed.



What has changed?

IN31 Issue 5 updates and expands SARS' documentary guidance to reflect legislative amendments, updated terminology, and practical developments since Issue 4. Some of the key changes include:

1	Tables A and B have been updated to reflect zero-rating provisions and documentary requirements introduced or amended since Issue 4 was issued in 2016.
2	The concept of a 'key office bearer' has been introduced, supporting a clearer governance and accountability framework for certain recurring supplies.
3	Guidance has been expanded on when documentary proof must be obtained and retained, including the practical application of the 90-day period and late-arriving documentation.
4	Reliance on informal substitute documentation has been removed or narrowed, signalling that vendors should verify the listed evidence per transaction and seek SARS' confirmation where uncertainty is material.
5	For gold sold or exported by an agent on behalf of a principal, the documentary evidence requirements set out in paragraphs 4.1 and 4.2 of Binding General Ruling ('BGR') 69, which deals with Documents and Records to be retained and maintained by an agent under section 54(2C) and (3), should be met.
6	New requirements were added for supplies of goods for use exclusively in an export country or by a CCAE or SEZ operator. These include, where applicable, an agreement confirming use outside South Africa and proof that the lessee is registered or licenced as a CCAE or SEZ operator.
7	An entire new requirement with extensive sub-items for supplies to foreign-going ships and foreign-going aircraft was added.
8	An annual declaration from a key office bearer may be obtained instead of a confirmation for each transaction, across sections 11(2)(*e*), (*h*), (*i*), (*j*), (*l*), (*o*), (*r*) and (*v*), which eases administration when making continuous supplies to non-resident customers.
9	The new zero-rated provisions added in recent years are now incorporated. These include international telecommunications services, testing services supplied to non-residents, and the distribution of airtime vouchers. Each requires a defined set of invoices, contracts, proof of licensing or registration, proof of payment, and confirmation of non-residency or export.
10	Where a BGR applicable to a vendor requires the retention of additional documentary proof not contained in Tables A or B of IN31, the vendor must comply with both the documentary requirements prescribed in the relevant BGR and those set out in this Interpretation Note, creating a greater compliance burden on vendors.
11	The definition of 'proof of payment' has been broadened to recognise intercompany loan account settlements and SWIFT (or similar) payment confirmation messages as acceptable evidence. The debiting and crediting of intercompany loan accounts will qualify only where the entries discharge the parties' obligations in respect of the supply. As the intended scope of this additional requirement is not entirely clear, vendors should carefully assess whether a particular loan account settlement satisfies it.
12	A new definition of 'confirmation document' has also been introduced, while the definitions relating to proof of export and customs-controlled area enterprises have been updated to align with current customs and SEZ terminology.
13	The general 90-day period for obtaining documents remains unchanged, but the exceptions to this period are aligned with IN30 and the Regulations.

Compliance consequences of poor documentation

The most immediate consequence of inadequate documentary proof is that SARS may disallow a zero-rating and assess output tax at the standard rate on the value of the supply. This can convert a transaction that was priced and accounted for on a nil-output-tax basis into a 15% output tax exposure for the vendor.

That exposure is rarely limited to the VAT amount itself. Depending on the facts, the vendor may also face understatement penalties ranging from 25% to 200%, administrative non-compliance penalties, and interest.

Where the same treatment has been applied repeatedly over a period of time, the cumulative exposure can very quickly become significant and may be coupled with a major administrative burden in dealing with various SARS disputes in this regard due to the repetitive nature of the supplies in various tax periods.

Capital VAT and commercial risk

The commercial risk is often as important as the tax risk. If SARS raises output tax after the fact, the vendor may not necessarily be able to recover that VAT from the customer, particularly where the contract price was agreed as VAT-inclusive, the agreement does not contain an effective VAT gross-up or recovery clause, the customer is offshore, or the customer relationship has ended.

In that scenario, the VAT becomes a direct cost to the vendor and will erode margin or turn an otherwise profitable supply into a loss-making transaction. The issue is particularly acute for capital or high-value transactions and/or continuously repeated supplies, where a failed zero-rating can create a material cash outflow and a potential financial statement impact.

It is worth noting, however, that this need not result in a permanent VAT cost. Where the prescribed documentary proof is not obtained within the applicable period, the vendor must account for output tax at the standard rate. If the vendor subsequently obtains the required documents within five years from the date of the supply, IN31 provides that the vendor may make an input tax adjustment under section 16(3)(*f*), thereby relieving the tax burden previously recognised, subject to the statutory requirements being met.

Practical steps for vendors

Vendors should use IN31 Issue 5 as a prompt to refresh their VAT zero-rating controls.

This includes mapping each zero-rated supply type to the relevant item in Tables A and B, updating transaction checklists, confirming responsibility for maintaining evidence files, and ensuring that commercial teams understand which documents must be obtained before a transaction is treated as zero-rated.

Contracts should also be reviewed to ensure that VAT clauses protect the vendor if the intended zero-rating is challenged. In appropriate cases, the contract should make it clear which party must provide supporting documents, when they must be provided, and whether the vendor may recover VAT, penalties, or interest if the documents are not supplied or the zero-rating is denied.

Conclusion

IN31 Issue 5 reinforces a simple but important point in the VAT system, namely that documentation is not an afterthought.

It is central to the vendor's ability to substantiate the zero rate, manage SARS verification risk, and protect its commercial position.

The key takeaway for vendors is therefore practical rather than theoretical: where zero-rating is applied, the evidentiary file should be built at the time of the transaction, reviewed against SARS' latest requirements, and supported by clear internal ownership. Waiting until SARS asks for the documents is often too late.

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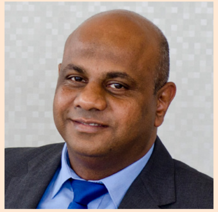

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Latest developments

Latest developments 26 July 2026 – 25 August 2026

PwC thought leadership

Various weekly	PwC thought leadership	Global Tax Talk: A PwC on-demand video series that quickly and concisely brings you the global tax policy news you need to know in a format that you can access on the go. Every Monday, the Global Tax Policy leader, Will Morris, provides a 60-second roundup of key perspectives to prepare for the upcoming week. PwC releases news briefings and short interviews with PwC subject matter specialists and global leaders around the world on the issues they see affecting the business community.
19 August 2026	Global Tax Policy Alert	UN tax negotiations move from concepts to treaty text The UN Intergovernmental Negotiating Committee completed its fifth substantive negotiating session (INC-5) on 13 August 2026. For the first time, delegates used complete drafts of the Framework Convention on International Tax Cooperation and two early protocols (on cross-border services taxation and dispute prevention and resolution) as the basis for negotiation. Major differences remain over taxing rights, the treatment of existing tax treaties, and how much flexibility countries should have when joining the protocols. Revised drafts are expected ahead of the next negotiating session in Nairobi, which begins on 30 November. The alert provides more detail on the matter.

24 August 2026	Africa-wide tax policy campaign	As part of the launch of the Africa Tax Policy Campaign (*Tax Policy, Our Future: Africa in Conversation*) PwC South Africa has published two LinkedIn posts highlighting perspectives from our tax policy leaders across Africa. We encourage you to follow the campaign for ongoing insights and discussions. • James Whitaker introduces the campaign and its objectives; and • Edna Gitachu shares her views on how Africa's tax policy landscape is evolving.
28 August	Transfer Pricing podcast on services	The Transfer Pricing team has released a new podcast covering recent OECD developments in relation to services. The podcast is available on SoundCloud and Youtube.
National Treasury		
30 July 2026	2026 draft tax bills	The following draft tax bills and media statement were made available for public comment. Comments had to be submitted to the National Treasury and SARS by 28 August 2026: • Draft Taxation Laws Amendment Bill, 2026 • Draft Tax Administration Laws Amendment Bill, 2026 • Draft Memo on Objects of Tax Administration Laws Amendment Bill of 2026
3 August 2026	Draft Crypto Asset Manual for Cross-Border Activities	National Treasury and the South African Reserve Bank (SARB) invite interested parties to submit written comments on the draft Crypto Assets Manual for Cross-Border Activities (draft manual). Comments must be submitted by 30 September 2026.
Interpretation		
27 July 2026	Interpretation Note 145 – Meaning of 'employee' for purposes of the Employment Tax Incentive Act	This Note provides clarity on the interpretation and application of the definition of 'employee' in section 1(1) of the Income Tax Act, 1962 read with the proviso to the definition of 'monthly remuneration' and the proviso to section 6.
Customs and Excise		

31 July 2026	Draft amendments to schedules	The following draft schedules were made available for public comment. Comments had to be submitted to SARS by 29 August 2026: • Explanatory memorandum – Elaborates on specific changes included in the amendment of the Schedules to the Customs and Excise Act, 1964 • Draft amendment to Part 1 of Schedule No. 1, consequent to the amendment in Part 1 of Schedule No. 1 • Draft amendment to Part 2A of Schedule No. 1, consequent to the amendment of Part 1 of Schedule No. 1 • Draft amendment to Part 5A of Schedule No. 1, consequent to the amendment of Part 1 of Schedule No. 1, in order to implement HS 2022 • Draft amendment to Part 5B of Schedule No. 1, consequent to the amendment of Part 1 of Schedule No. 1 • Draft amendment to Part 1D of Schedule No. 6, consequent to the amendment of Part 1 of Schedule No. 1 • Draft amendment in Part 1F of Schedule No. 6, consequent to the amendment of Part 1 of Schedule No. 1 Correlation table • Correlation table
4 August 2026	Draft amendments to schedules	The following draft schedules were made available for public comment. Comments had to be submitted to SARS by 18 August 2026: • Part 1 of Schedule No. 1, to provide for technical amendments, by the insertion and deletion of various subheadings to provide for technical amendments for statistical purposes • Part 1 of Schedule No. 3, consequent to the amendment in Part 1 of Schedule No. 1 • Part 2 of Schedule No. 4, consequent to the amendment in Part 1 of Schedule No. 1 • Part 3 of Schedule No. 5, consequent to the amendment in Part 1 of Schedule No. 1
4 August 2026	Draft amendments to rules	Draft amendments to rules under sections 77ZH and 120 – Voluntary disclosure relief: The draft rules set out how voluntary disclosure relief will work under the Customs and Excise Act, 1964. The rules provide for definitions, the application process, voluntary disclosure agreements, the full and complete disclosure of underpayments, supporting documents, the suspension and finalisation of applications, the form and format of voluntary disclosure agreements, applications by persons who are not registered or licensed, and requests for non-binding private opinions on eligibility. Comments had to be submitted to SARS by 25 August 2026.
6 August 2026	Tariff amendments	Publication details for tariff amendments notice R7794, as published in Government Gazette 55153 of 6 August 2026, were made available.
7 August 2026	Rules amendments	Notice R7777, published in Government Gazette 55151 of 7 August 2026 and relating to the following amendments to the rules, has been made available: • Amendments to rules under sections 54F, 64B, 64D, 64E, 64G and 120 – Miscellaneous amendments

7 August 2026	Draft amendments to rules	Draft amendments to rules under sections 64E and 120 – Accreditation were made available for public comment. Comments had to be submitted to SARS by 21 August 2026.
7 August 2026	International treaties & agreements – MAAs on customs	SARS has published its Arrangement between SARS and Malawi Revenue Authority for the Automatic of Exchange of Customs Information, effective from 30 July 2026.
14 August 2026	Tariff amendments	Publication details for tariff amendment Notices R7809 and R7810, published in Government Gazette 55190 of 14 August 2026, are now available.
19 August 2026	Draft amendments to rules	Draft amendments to the rules under sections 76 and 120(1)(mA), relating to the liquidation of provisional payments, have been made available for public comment. Comments must be submitted to SARS by 10 September 2026.

Rulings

27 July 2026	Updated guides for filing season 2026	This ruling confirms that, at the time of its voluntary registration, the Applicant satisfied the definition of 'enterprise' for VAT purposes, despite not yet having commenced making taxable supplies.
27 July 2026	Draft guide to the taxation of crypto assets	The ruling confirms the VAT treatment of the supply of educational services by an accredited further education services supplier that is not registered under the Continuing Education and Training Act 16 of 2016 (CET Act).
14 August 2026	Binding Private Ruling 429 – Cash grant to an employee incentive trust and the vesting of shares in qualifying employees	This ruling determines the income tax and capital gains tax consequences arising from cash grants made by an employer to an employee share incentive trust, the receipt thereof by the share incentive trust, and the vesting of shares in qualifying employees.
17 August 2026	Binding Private Ruling 430 – Distribution of a loan claim	This ruling determines the tax consequences of the distribution of a loan claim by a resident trust to a foreign trust.

SARS guides and explanatory memoranda

27 July 2026	Guide to the Employment Tax Incentive (Issue 5)	Issue 5 of the guide to the Employment Tax Incentive (ETI) has been made available.
28 July 2026	Customs and Excise guides	The SARS Advance Import Payment documentation has been revised to align with amended Rule 120.13.02 that provides for an increase in the monetary threshold applicable to advance payment notifications (APNs) from R50 000.00 to R100 000.00. The following guides, effective from 28 July 2026, have been issued: • SC-CC-33 – Advance Import Payments – External Guide: This guide aims to make it easier for importers intending to apply for advance foreign exchange payments of R100 000.00 and above to comply with the APN requirements. • SC-CC-42 – Advance Import Payments – External Policy: This policy document aims to facilitate compliance with APN requirements for importers intending to apply for an advance foreign exchange payment of R100 000.00 and above.
6 August 2026	Tax Guide for Share Owners (Issue 9)	Issue 9 of the guide for share owners has been made available.
7 August 2026	Advance Pricing Agreements (APA) – External Guide	The APA guide, effective from 7 August 2026, has been made available and must be read with the income tax notices published in relation to advance pricing agreements.
25 August 2026	Explanatory Memorandum	Regulations R.7847, relating to the following amendments, were published in Government Gazette 55245 of 25 August 2026: • Amendments to the regulations issued in terms of section 74(1), read with paragraph (d) of the definition of 'exported' in section 1(1) of the Value-Added Tax Act, 1991 (Act no. 89 of 1991). The following accompanying explanatory memorandum has also been issued: • Explanatory Memorandum to the Amendments to the Regulations issued in terms of section 74(1), read with paragraph (d) of the Definition of 'Exported' in Section 1(1) of the Value-Added Tax Act, 1991 (Act No. 89 of 1991).

Case law

In accordance with the date of judgment

27 July 2026	*SARSTC VAT* 22498 (VAT) [2026] ZATC CPT (27 July 2026)	Whether the methodology used by SARS to apportion input tax was correct in terms of section 17(1), read with section 41B of the Value-Added Tax Act, 1991.

Notices

7 August 2026	Income tax notices	The following income tax notices were promulgated in Government Gazette 55152 of 7 August 2026: • Notice 7792, published in terms of section 76P, prescribing the procedures and guidelines for the implementation and operation of the DTA advance pricing agreement system • Notice 7791, published in terms of section 76J(3), prescribing the information to be contained in a preliminary DTA advance pricing agreement under that section • Notice 7790, published in terms of section 76J(1), prescribing the requirements for processing an application for a DTA advance pricing agreement • Notice 7789, published in terms of section 76I(b), prescribing the additional requirements that will lead to the rejection of an application for a DTA advance pricing agreement • Notice 7787, published in terms of section 76D, prescribing the fees payable by an applicant in an application for a DTA advance pricing agreement • Notice 7788, published in terms of section 76C, prescribing the persons eligible to apply to the Commissioner for a DTA advance pricing agreement • The notices are to be read with the Advance Pricing Agreements – External Guide.
14 August 2026	VAT notices	Publication details for VAT Notice R7808, published in Government Gazette 55190 of 14 August 2026, have been made available.
14 August 2026	VAT notices	Publication details for VAT Notice R7811, published in Government Gazette 55190 of 14 August 2026, have been made available.

Other publications

29 July 2026	OECD	The OECD’s Global Forum on Transparency and the Exchange of Information for Tax Purposes has published 2026 peer-review reports for the following countries have been made available: • Tanzania • Cook Islands • Namibia
4 August 2026	ATAF	Article: ATAF Supports Botswana’s VAT Advances on Remote Services Reform, With USD 29 million in Additional Revenue on the Radar
17 August 2026	SARS	SARS invites public input on a new digital VAT model set to modernise VAT administration. See the SARS VAT modernisation webpage for more information.