

DRAFT BINDING GENERAL RULING (VAT)

DATE:

ACT : VALUE-ADDED TAX ACT NO. 89 OF 1991
SECTION : SECTIONS 11(1)(j), 13(3), PARAGRAPH 7(a) OF SCHEDULE 1 AND ITEMS 12 AND 13 IN PART B OF SCHEDULE 2
SUBJECT : THE VALUE-ADDED TAX TREATMENT OF THE SUPPLY AND IMPORTATION OF FRUIT AND VEGETABLES

Preamble

For purposes of this ruling –

- “**BGR**” means a binding general ruling issued under section 89 of the Tax Administration Act No. 28 of 2011;
- “**Item 12**” means Item 12 in Part B of Schedule 2 to the VAT Act;
- “**Item 13**” means Item 13 in Part B of Schedule 2 to the VAT Act;
- “**section**” means a section of the VAT Act;
- “**VAT Act**” means the Value-Added Tax Act No. 89 of 1991; and
- any word or expression bears the meaning ascribed to it in the VAT Act.

1. Purpose

This BGR sets out the value-added tax (VAT) rate applicable to the supply and importation of fruit and vegetables in their various forms.

2. Ruling

This ruling constitutes a BGR issued under section 89 of the Tax Administration Act No. 28 of 2011 insofar as it relates to the items listed in **2.1** to **2.3** below.

2.1 Zero-rated supplies

The supply of fruit and vegetables that have been not been cooked or treated in any manner except for the purpose of preserving such fruit and vegetables in their natural state, is zero-rated under section 11(1)(j) read together with Item 12 (vegetables) and Item 13 (fruit) respectively. Fresh and frozen fruit and vegetables sold in the following forms qualify for zero-rating:

- Cut (including fruit and vegetables cut in to specific shapes)
- Diced
- Sliced
- Minced
- Shredded

- Crushed
- Peeled

Frozen fruit and vegetables¹ which have been blanched in hot water for the purpose of preserving the fruit and vegetables in its natural state qualify for the zero-rating.

Subject to **2.2**, the zero-rating applies regardless of whether the fruit and vegetables are sold individually (for example, a punnet of strawberries or a pocket of potatoes) or mixed (for example, mixed diced carrots and potatoes).

2.2 Standard rated supplies

The supply of fruit and vegetables in the following forms is specifically excluded from Item 12 and Item 13 respectively, and is therefore subject to VAT at the rate of 14% under section 7(1)(a), irrespective of whether the fruit and vegetables are supplied in the forms referred to in **2.1**.

- Fruit and vegetables supplied in the course of the furnishing or serving of any meal, refreshment, cooked or prepared food or any drink, so as to be ready for immediate consumption when supplied.
- Fresh or frozen fruit and vegetables which have been treated with an additive for the purpose of adding colour or flavour (for example, glucose, dextrose, sugar or salt).

Examples of supplies of fruit and vegetables that are subject to VAT at the standard rate include –

- the supply of a combination of fruit and/or vegetables packaged, advertised, marketed and sold as a salad or a platter (with or without a sauce or dressing) (for example, fruit salads and a mixed green salad);
- fruit smoothies; and
- fruit and vegetable juice.

2.3 Importation of fruit and vegetables

The importation of fruit and vegetables listed in **2.1** is, under section 13(3) read with paragraph 7(a) of Schedule 1 to the VAT Act, exempt from the VAT levied under section 7(1)(b).

The importation of fruit and vegetables, listed in **2.2**, is subject to VAT at 14% under section 7(1)(b).

3. Period for which this ruling is valid

This ruling will be applicable from date of issue of the final BGR and will apply for an indefinite period.

Any ruling which would, but for this BGR, continue to be effective on or after the effective date of this BGR, allowing vendors to supply or import fruit and vegetables at a rate that is different from the rate prescribed in this BGR is withdrawn from the effective date of the final BGR.

¹ This ruling does not extend to frozen potato products.

To the extent that this BGR does not provide for a specific scenario on the supply of fruit and vegetables, vendors may apply for a VAT ruling or VAT class ruling in writing by sending an e-mail to **VATRulings@sars.gov.za** or by facsimile to 086 540 9390. The application should consist of a completed VAT301 form and must comply with the provisions of section 79 of the Tax Administration Act, 2011 excluding sections 79(4)(f) and (k) and (6).

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