

- 7.4 The rate of tax applicable for purposes of paragraphs 7.2 and 7.3 is the rate of tax in force at the date of issue of the tax invoice.
- 7.5 The documentary requirement of proof of payment does not require that payment be effected in foreign currency. Payment should, however, be in compliance with Reserve Bank foreign exchange regulations.
- 7.6 Should the supplying vendor experience difficulties in obtaining the required **proof of payment**, for example, as a result of extended credit terms granted to foreign purchasers or an instalment credit agreement entered into with a foreign purchaser, the supplying vendor may apply in writing to the **local SARS office** where the supplying vendor is on register for both the periods referred to above in paragraphs 7.2 and 7.3 to be extended. The application will be considered for each foreign purchaser of the supplying vendor.

SARS will not issue blanket rulings to vendors, accordingly, the supplying vendor's application must provide details of the following:

For an extension beyond the stipulated three month period up to an additional maximum period of **four months**, the written application must provide details of—

- a. the name and address of the foreign purchaser;
- b. the country to which the goods are exported;
- c. the reasons for the extension, (for example, extended credit terms granted to foreign purchasers);
- d. the type and average monthly value of the *movable goods* supplied to each affected foreign purchaser;
- e. the specified time period of the extension;
- f. an undertaking to obtain all of the *documentary proof* referred to in paragraphs 5 and 6 (within the time periods set out in paragraphs 7.2 and 7.3); and
- g. in the case of an instalment credit agreement, a copy of the agreement.

For an extension **exceeding the additional four months** conveyed above, the SARS office must refer the application to the SARS Head Office for approval and the following additional information must be provided:

- h. The written approval from either a commercial bank, authorised as a dealer in foreign exchange by the South African Reserve Bank or by Exchange Control, authorising the extended payment terms.

This application is only applicable with regard to the proof of payment requirement in respect of the *movable goods* supplied. It must be borne in mind that an additional extension request must be made where the movable goods are not exported within the two month period.

Any ruling issued in this regard will be valid for a period of one year. However, it must be noted that should the relevant provisions of the *VAT Act* be amended or, for example, circumstances relating to any part of the application for extension should alter, SARS must be advised in writing and the ruling will be withdrawn or amended.

- 7.7** *Movable goods* must be exported via a *designated commercial port* in order to qualify for the zero rate. Should none of the *designated commercial ports*, as listed below be used, the supply will not qualify to be charged with VAT at the rate of zero percent.

The export of *movable goods*, as well as, the declaration of such *movable goods* at ports other than those ports listed below, may be allowed in exceptional circumstances on application to the Controller of Customs for permission to export *movable goods* through a non-*designated commercial port* **from** the Republic, **to** Botswana, Lesotho, Namibia **or** Swaziland.

Designated commercial ports:

- International Airports:

Bloemfontein; Cape Town; Durban; Johannesburg; Polokwane; Lanseria; Kruger Mpumalanga; Pilanesberg; Port Elizabeth and Upington.

- Land Border Posts:

Beit Bridge; Caledonspoor; Ficksburg Bridge; Golela; Groblers Bridge; Jeppes Reef; Kopfontein; Lebombo; Mahamba; Mananga; Maseru Bridge; Nakop; Nerston; Oshoek; Qacha's Nek; Ramatlabama; Skilpadshek; Van Rooyenshek; and Vioolsdrift.

- Harbours:

Cape Town; Durban; East London; Mossel Bay; Port Elizabeth; Richards Bay; and Saldanha.

- Railway Stations:

Germiston; Golela; Johannesburg; Maseru Bridge; Mafikeng and Upington.

8. Glossary

Refer to Annexure A.

9. Conclusion

While this Note may not describe all situations that a supplying vendor exporting *movable goods* may experience, it is necessary for the supplying vendor to be in a position to substantiate the application of the zero rate. A supplying vendor is allowed the periods as described in paragraphs 7.2 and 7.3 to obtain adequate *documentary proof*. However, where the Commissioner is not satisfied that there is adequate proof of export, the supply is deemed to include VAT at the standard rate.

Legal and Policy Division
SOUTH AFRICAN REVENUE SERVICE
Date of first issue: 31 March 2005
Date of second issue: 1 April 2006

Archived

ANNEXURE A

GLOSSARY

For the purposes of this Interpretation Note, the following words and phrases have the meaning as described below—

a copy of the airfreight transport document, which must, *inter alia*, reflect the flight number, the date and the place of departure, includes:

- an air waybill;

a computer generated release notification reflecting the minimum of the following: the supplying vendor's name; the *recipient's* name; the supplying vendor's invoice number, date and the value of the goods supplied; the customs code number and the final release number, final release date and time, where:

- the customs code number is the eight digit number issued by SARS to registered agents, importers and exporters; and
- the final release number and final release date and time are as received via an electronically submitted cusres 1 (release notification);

a copy of the proof of delivery issued by the *supplier's cartage contractor* that the *movable goods* have been received by the *recipient* in the *export country*, includes:

- a proof of delivery, stamped and signed by the *recipient* or his appointed representative;
- a delivery note signed by the *recipient*;

a copy of the relevant document to prove that the *supplier's cartage contractor* took possession of the *movable goods* from the supplying vendor, includes:

- a goods received note issued by the *supplier's cartage contractor*;
- a delivery note;
- the supplying vendor's tax invoice in respect of the goods, being signed and stamped by the *supplier's cartage contractor*;

a copy of the sea freight transport document duly stamped or endorsed that the goods have been shipped on board, which must, *inter alia*, reflect the vessel's name, the date and the place of departure, includes:

- a bill of lading;
- a waybill;

"*export country*" also known as the "receiving country";

"*invoice*" includes a hard copy or an electronic copy of a document notifying of an obligation to make payment;

proof of payment can also be in the form of:

- goods, i.e. a barter transaction;
- in respect of a loan account, the debiting thereof;

proof that the *movable goods* are situated outside the Republic at the time of supply, includes:

- a transport document, e.g. a document indicating, *inter alia*, the country of despatch and the country of receipt;

proof that the *movable goods* have been received by the *recipient* in the *export country*, includes:

- a delivery note signed by the *recipient*;
- a goods received voucher issued by the *recipient*;

proof that the supplying vendor paid the transport cost, includes:

- a receipt;
- charges payable to third parties necessary to achieve delivery from the point in the Republic where the supplying vendor releases the movable goods for transportation, to the point where the supplying vendor delivers the movable goods to the recipient, in the export country, as contractually agreed;

the *recipient's* order or the contract between the *recipient* and the supplying vendor includes:

- telephone and email orders;
- picking slips generated as a result of a telephonic order by the customer.

Archived