

SOUTH AFRICAN REVENUE SERVICE

INTERPRETATION NOTE NO. 40

DATE: 4 December 2007

- ACT** : VALUE-ADDED TAX ACT, 1991 (Act No. 89 of 1991) (the VAT Act)
- SECTIONS** : 1, 7, 8, 9, 10, 11, 13 and 18 and Item 498.00 in paragraph 8 of Schedule 1 (set out below)
- SUBJECT** : VAT TREATMENT OF THE SUPPLY OF GOODS AND/OR SERVICES TO AND/OR FROM A CUSTOMS CONTROLLED AREA OF AN INDUSTRIAL DEVELOPMENT ZONE

Section 1 – Definitions

- “Customs Controlled Area” (CCA)
- “Customs Controlled Area Enterprise” (CCAЕ)
- “Exported” - Paragraphs (a) and (d)
- “Industrial Development Zone (IDZ)”
- “Industrial Development Zone (IDZ) Operator”

Section 7 – Imposition of VAT

- 7(1)(a) – supply of goods or services
- 7(1)(b) – importation of any goods into the Republic

Section 8 – Deemed supplies

- 8(24) – deemed supply of goods by a CCAE or an IDZ operator where movable goods that were temporarily removed from a place in a Customs Controlled Area of an IDZ to a place outside the CCA, situated in the Republic, are not returned to the CCA within the specified time periods

Section 9 – Time of supply

- 9(11) – deemed supply of goods as contemplated in section 8(24)

Section 10 – Value of supply

- 10(25) – deemed supply of goods as contemplated in section 8(24)

Section 11 – Zero-rated supplies

- 11(1)(a)(i) – movable goods that are exported as contemplated in paragraph (a) of the definition of “exported” in section 1
- 11(1)(a)(ii) – movable goods that are exported as contemplated in paragraph (d) of the definition of “exported” in section 1

- 11(1)(c) – movable goods that are supplied under a rental agreement, charter party or agreement for chartering for use exclusively in an CCA
- 11(1)(m) – movable goods that are physically delivered to the recipient in a CCA
- 11(1)(mA) – fixed property situated in a customs controlled area or the right to use or the granting of permission to use such fixed property under any rental agreement or any other agreement
- 11(2)(k) – services that are physically rendered to a CCAE or an IDZ operator in a CCA
- 11(3) – documentary proof (See Interpretation Note No. 31)

Section 13 – Collection of VAT on imported goods

- 13(1) – time of importation
- 13(3) – goods set forth in Schedule 1 to the VAT Act are exempt

Section 18 – Adjustments

- 18(10) – output tax on goods or services acquired by a CCAE or an IDZ operator at the zero rate or exempt from VAT for purposes of which a deduction of input tax would have been denied in terms of section 17(2) and to the extent that such goods or services are not wholly for consumption, use or supply within a CCA in the course of making taxable supplies by that vendor, being a CCAE or an IDZ operator

Item No. 498 in paragraph 8 of Schedule 1 – Exemption: Certain goods imported into the Republic

- 498.00 – goods for use by a customs controlled area enterprise and goods for use by an IDZ operator for use in the construction and maintenance of the infrastructure of a customs controlled area may be imported and entered into a customs controlled area, exempt from VAT. Goods imported for storage in a licensed Customs and Excise storage warehouse located in a customs controlled area enterprise may not be entered under Item No. 498.00

Note:

Due to the length of this note, the complexity of the issues discussed, and supporting legislation, an exposition of the contents is provided below for easy reference.

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1. Purpose

The purpose of this Interpretation Note is to set out the value-added tax (VAT) implications concerning the various types of supplies of goods and/or services to and/or from a CCAE or an IDZ operator located in a CCA of an IDZ.

2. Introduction

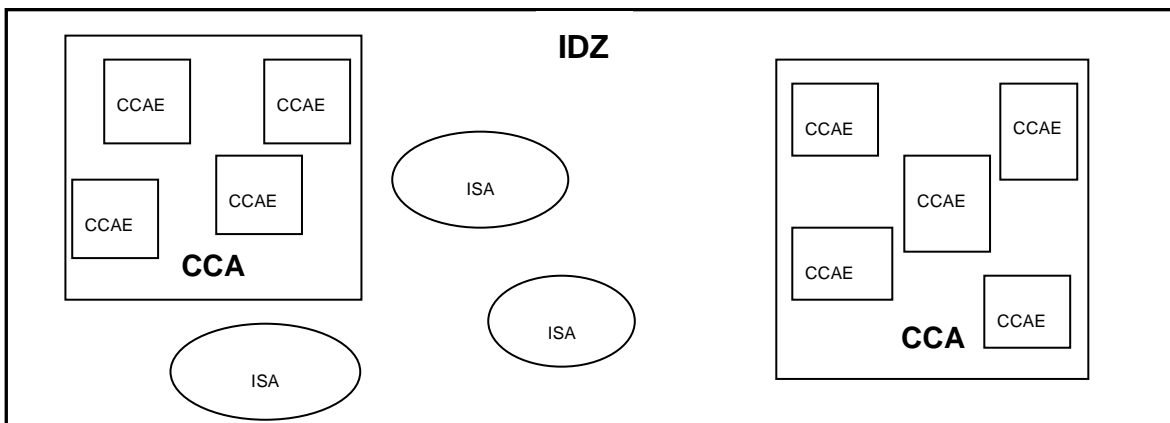
In terms of section 10(1) of the Manufacturing Development Act, 1993 (Act No. 187 of 1993), the Minister of Trade and Industry on 1 December 2000 established an IDZ programme by publication in the Government Gazette, controlling the development and operation of IDZ's.

IDZ's are geographically designed, purpose-built industrial estates that are linked to an international harbour or airport, in areas in the Republic of South Africa (the Republic) designated by the Minister of Trade and Industry. As a rule IDZ's will be developed and operated by the private sector with the main purpose of stimulating trade and job creation.

The intention is to support these industries with world-class infrastructure, logistics networks and services, including expedited customs procedures coupled with unique duty-free operating environments.

Within an IDZ the areas of operation will be (see diagram below), namely:

- **CCA's**, being designated areas having entrance and exit points controlled by SARS Customs where approved enterprises and business activities will be conducted. These areas will, upon application, be approved by the Commissioner for the South African Revenue Service (the Commissioner) in concurrence with the Director General: Trade and Industry; and
- **Industries and Services Areas (ISA)**, being industrial and office park environments surrounding the CCA's and occupied by service providers or industries supplying local raw materials or services to CCAE's and IDZ operators.



3. The law

The relevant sections of the VAT Act and the Customs and Excise Act, 1964 (Act No. 91 of 1964) are quoted below:

3.1 The VAT Act

3.1.1 Definitions – Section 1

“Customs and Excise Act” means the Customs and Excise Act, 1964 (Act No. 91 of 1964);

“customs controlled area” has the meaning assigned thereto in section 21A of the Customs and Excise Act;

“customs controlled area enterprise” has the meaning assigned thereto in section 21A of the Customs and Excise Act; 1964;

“exported”, in relation to any movable goods supplied by any vendor under a sale or an instalment credit agreement, means—

- (a) consigned or delivered by the vendor to the recipient at an address in an export country as evidenced by documentary proof acceptable to the Commissioner; or
- ...
- (d) removed from the Republic by the recipient for conveyance to an export country in accordance with the provisions of an export incentive scheme approved by the Minister;

“Industrial Development Zone (IDZ)” has the meaning assigned thereto in section 21A of the Customs and Excise Act;

“Industrial Development Zone (IDZ) operator” has the meaning assigned thereto in terms of section 21A of the Customs and Excise Act;

“Republic”, in the geographical sense, means the territory of the Republic of South Africa and includes the territorial waters, the contiguous zone and the continental shelf referred to respectively in sections 4, 5 and 8 of the Maritime Zones Act, 1994 (Act No. 15 of 1994);

“vendor” means any person who is or is required to be registered under this Act: Provided that where the Commissioner has under section 23 or 50A determined the date from which a person is a vendor that person shall be deemed to be a vendor from that date;

3.1.2 Imposition of VAT - section 7(1)(a) and (b)

Subject to the exemptions, exceptions, deductions and adjustments provided for in this Act, there shall be levied and paid for the benefit of the National Revenue Fund a tax, to be known as the value-added tax—

- (a) on the supply by any vendor of goods or services supplied by him on or after the commencement date in the course or furtherance of any enterprise carried on by him;
 - (b) on the importation of any goods into the Republic by any person on or after the commencement date;
- and
- ...

calculated at the rate of 14 per cent on the value of the supply concerned or the importation, as the case may be.

3.1.3 Deemed supplies- section 8(24)

For the purposes of this Act, a vendor, being a customs controlled area enterprise or an IDZ operator, shall be deemed to supply goods in the course or furtherance of an enterprise where movable goods are temporarily removed from a place in a customs controlled area to a place outside the customs controlled area, situated in the Republic, if those goods are not returned to the customs controlled area within 30 days of its removal, or within a period arranged in writing with the Controller.

3.1.4 Time of supply - section 9(11)

Where any supply of goods is deemed to be made as contemplated in section 8(24), that supply shall be deemed to take place on the last day of the applicable period as contemplated in section 8(24).

3.1.5 Value of supply - section 10(25)

Where any goods are deemed by section 8(24) to be supplied to any person, the consideration in money shall be deemed to be the open market value of those goods on the date contemplated in section 9(11).

3.1.6 Zero-rated supplies - sections 11(1)(a)(i) and (a)(ii), (c), (m) and (mA)

Where, but for this section, a supply of goods would be charged with tax at the rate referred to in section 7(1), such supply of goods shall, subject to compliance with subsection (3) of this section, be charged with tax at the rate of zero per cent where—

- (a) the supplier has supplied the goods (being movable goods) in terms of a sale or instalment credit agreement and—
 - (i) the supplier has exported the goods in the circumstances contemplated in paragraph (a), (b) or (c) of the definition of “exported” in section 1; or
 - (ii) the goods have been exported by the recipient and the supplier has elected to supply the goods at the zero rate as contemplated in Part 2 of an export incentive scheme referred to in paragraph (d) of the definition of “exported” in section 1: Provided that—
 - (aa) where a supplier has supplied the goods to the recipient in the Republic otherwise than in

terms of this subparagraph, such supply shall not be charged with tax at the rate of zero per cent; and

- (bb) where the goods have been removed from the Republic by the recipient in accordance with the provisions of an export incentive scheme referred to in paragraph (d) of the definition of “exported” in section 1, such tax shall be refunded to the recipient in accordance with the provisions of section 44(9); or

- (c) the goods (being movable goods) are supplied to a lessee or other person under a rental agreement, charter party or agreement for chartering, if the goods are used exclusively in an export country or by a customs controlled area enterprise or an IDZ operator in a customs controlled area: Provided that this subsection shall not apply where a “motor car” as defined in section 1 is supplied to a person located in a customs controlled area; or

- (m) a vendor supplies movable goods, (excluding any “motor car” as defined in section 1), in terms of a sale or instalment credit agreement to a customs controlled area enterprise or an IDZ operator in a customs controlled area and those goods are physically delivered to that customs controlled area enterprise or IDZ operator in a customs controlled area either—
- (i) by the supplier or
- (ii) by a VAT registered cartage contractor, whose main activity is that of transporting goods and who is engaged by the supplier to deliver the goods and that supplier is liable for the full cost relating to that delivery;

- (mA) a vendor supplies fixed property situated in a customs controlled area to a customs controlled area enterprise or an IDZ operator under any agreement of sale or letting or any other agreement under which the use or permission to use such fixed property is granted;

3.17 Zero-rated services — section 11(2)(k)

Where, but for this section, a supply of services would be charged with tax at the rate referred to in section 7(1), such supply of services shall, subject to compliance with subsection (3) of this section, be charged with tax at the rate of zero per cent where—

...

- (k) the services are physically rendered elsewhere than in the Republic or to a customs controlled area enterprise or an IDZ operator in a customs controlled area; or

3.1.8 Collection of VAT on importation of goods - sections 13(1) and (3)

(1) For the purposes of this Act goods shall be deemed to be imported into the Republic on the date on which the goods are in terms of the provisions of the Customs and Excise Act deemed to be imported:

Provided that—

- (i) goods which are entered for home consumption in terms of the Customs and Excise Act, shall be deemed to have been imported on the date on which they are so entered;
- (ii) where any goods have been imported and entered for storage in a licensed Customs and Excise storage warehouse but have not been entered for home consumption, any supply of those goods before they are entered for home consumption shall be zero-rated for the purposes of this Act;
- (iii) goods imported from or via Botswana, Lesotho, Swaziland or Namibia shall be declared and tax paid on entry into the Republic as prescribed by the Commissioner in Chapter XIIA of the Rules under the Customs and Excise Act.

(3) The importation of the goods set forth in Schedule 1 to this Act is exempt from the tax imposed in terms of section 7(1)(b).

3.1.9 Adjustments – section 18(10)

(10) Where—

- (a) goods or services have been supplied by a vendor at the zero rate in terms of sections 11(1)(c), 11(1)(m), 11(1)(mA) or 11(2)(k) to a vendor, being a customs controlled area enterprise or an IDZ operator; or
- (b) goods have been imported into the Republic by a vendor, being a customs controlled area enterprise or an IDZ operator and those goods are exempt from tax in terms of section 13(3),

and where a deduction of input tax would have been denied in terms of section 17(2), and to the extent that such goods or services are not wholly for consumption, use or supply within a customs controlled area in the course of making taxable supplies by that vendor, being a customs controlled area enterprise or an IDZ operator, those goods or services shall be deemed to be supplied by the vendor concerned in the same tax period in which they were so acquired, in accordance with the formula:

$A \times B$

in which formula—

“A” represents the rate of tax levied in terms of section 7(1); and

“B” represents—

- (i) the cost to the vendor of the acquisition of those goods or services which were supplied to him in terms of sections 11(1)(c), 11(1)(m), 11(1)(mA) or 11(2)(k); or
- (ii) the value to be placed on the importation of goods into the Republic as determined in terms of section 13(2).

3.1.10 Item No. 498.00 in paragraph 8 of Schedule 1 – Exemption: Certain goods imported into the Republic

498.00 IMPORTED GOODS FOR USE IN A CUSTOMS CONTROLLED AREA

NOTES:

1. Goods may only be imported and entered into a customs controlled area under this item where such goods are imported by a customs controlled area enterprise or an IDZ operator.
 2. Notwithstanding other paragraphs or items provided for in this Schedule, goods may only be imported and entered into a customs controlled area under item 498.00, with the exception of any goods imported for storage in a licensed Customs and Excise storage warehouse located in a customs controlled area enterprise which may not be entered under item 498.00.
- 498.01/00.00/01.00 Goods that are imported into a customs controlled area by a customs controlled area enterprise
- 498.02/00.00/01.00 Goods that are imported into a customs controlled area by an IDZ operator for use in the construction and maintenance of the infrastructure of a customs controlled area

3.2 Customs and Excise Act

3.2.1 Section 21A

“**Customs Controlled Area**” or “**CCA**” means an area within an IDZ, designated by the Commissioner in concurrence with the Director General: Trade and Industry, which area is controlled by the Commissioner;

“**Industrial Development Zone**” or “**IDZ**” means an area designated by the Minister of Trade and Industry in terms of any regulation made in terms of the Manufacturing Development Act, 1993 (Act No. 187 of 1993);

“**IDZ operator**”, “**CCA enterprise**”, “**Service enterprise**” or any other expression as may be necessary, relating to any activity inside or outside an IDZ or a CCA shall have the meaning assigned thereto in any Schedule or rule.

4. Meanings attached to words and phrases used in this Interpretation Note

For the purposes of this Interpretation Note, SARS will attach the following interpretation to the words and phrases described below—

“**customs control**” means measures applied to ensure compliance with the customs and excise laws and procedures;

“**CCA**”, means a company holding a valid IDZ enterprise permit issued by the Manufacturing Development Board and a CCAE must be a vendor for VAT purposes;

“**CCA Rebate Manufacturer**” means a CCAE operating a licensed customs and excise manufacturing warehouse in a CCA;

“**CCA Rebate Stockist**” means a CCAE operating a special licensed Customs and Excise warehouse in order to supply registered rebate manufacturers with rebated goods;

“**CCA Storage Warehouse**” means a CCAE operating a licensed customs and excise storage warehouse in a CCA;

“**Foreign Supplier**” means any person resident or conducting business in an export country including Botswana, Lesotho, Namibia and Swaziland, who is not a resident of the Republic, and not a vendor in the Republic;

“**licensed customs and excise manufacturing warehouse**” means a warehouse licensed by the Commissioner at any place appointed for that purpose under the provisions of the Customs and Excise Act, which has been approved by the Commissioner for the manufacture of goods as he/she may approve in respect of that warehouse;

“**licensed customs and excise storage warehouse**” means a warehouse licensed by the Commissioner at any place appointed for that purpose under the provisions of the Customs and Excise Act, which has been approved by the Commissioner for the storage of goods as he may approve in respect of that warehouse;

“**Qualifying Purchaser**” means a foreign passport holder being a tourist, a foreign enterprise, a non-resident or a foreign diplomat, as provided for in the **Export Incentive Scheme, Regulation 2761**;

“**Receiving Vendor**” means a vendor in the Republic receiving a supply of goods and/or services;

“**Recipient**” means the person to whom the supply of movable goods in terms of a sale or instalment credit agreement is made;

“**RSA Rebate Manufacturer**” means a vendor who owns movable goods that are in a licensed customs and excise manufacturing warehouse located in the Republic but outside a CCA;

“**RSA Storage Warehouse**” means a vendor who owns movable goods that are in a licensed customs and excise storage warehouse located in the Republic but outside a CCA;

“**Supplying Vendor**” means a vendor in the Republic supplying goods and/or services to the CCAE; and

“**VAT Act**” means the Value-Added Tax Act, 1991 (Act No. 89 of 1991).

5. Application of the law

The VAT implications concerning the various types of supplies of goods and/or services to and/or from a CCAE or an IDZ operator located in a CCA of an IDZ are schematically represented (**See Annexure A**) and thereafter elaborated on. In certain instances the customs treatment is indicated but to a substantially limited extent. The documentation to be completed for VAT purposes has also been included.

In utilising the schematic representation and the elaboration below, it is essential that the following conditions and principles are noted:

- All persons mentioned in the scenarios below are considered to be vendors in the Republic except for a Foreign Supplier (who is not conducting an “enterprise” as defined in section 1 of the VAT Act) or a Foreign Purchaser.
- The movement of movable goods has a VAT implication only if a change in ownership occurs.
- The exemption from VAT provided for in terms of section 13(3), read with Item No. 498.00 in paragraph 8 of Schedule 1 to the VAT Act in respect of the importation of movable goods, caters separately for movable goods imported by a CCAE and for movable goods imported

by an IDZ operator. The exemption from VAT on the importation of movable goods by an IDZ operator has been limited to goods for use in the construction and maintenance of the infrastructure of a CCA.

- The entry of movable goods into a licensed customs and excise storage warehouse, whether the warehouse is located in a CCA or outside a CCA but within the Republic, pertains to goods which are not entered for home consumption.
- The entry of movable goods into a licensed customs and excise manufacturing warehouse, whether the warehouse is located in a CCA or outside a CCA but within the Republic, relates to goods which are entered for home consumption.
- Goods supplied and moved from a licensed customs and excise storage warehouse to a licensed customs and excise manufacturing warehouse (i.e. indicated by the customs purpose code “XGR”), are regarded as being entered for home consumption. However, the VAT implications are as follows-
 - (a) Where movable goods move within a CCA, the entry is exempt from VAT in terms of section 13(3), read with Item No. 498 in paragraph 8 of Schedule 1 to the VAT Act; and
 - (b) Where movable goods move from a CCA to the Republic, the VAT implications depend on when the goods are sold, i.e. whether the goods are sold before or after being cleared for home consumption.
- Movable goods may not be supplied or moved from a licensed customs and excise manufacturing warehouse (whether in the Republic or in a CCA) to a licensed customs and excise storage warehouse (whether in the Republic or in a CCA). The rationale for this limitation is that movable goods cannot change their status from being entered for home consumption to not being entered for home consumption.

5.1 Supply of movable goods by a RSA Storage Warehouse to a CCAE Storage Warehouse

Customs treatment

Clearance for re-warehousing in bond.

VAT implications for the RSA Storage Warehouse

The RSA Storage Warehouse will levy VAT on the supply of the movable goods at the zero rate in terms of section 13(1) proviso (ii) of the VAT Act, as the movable goods are

being supplied to the CCAE Storage Warehouse before they have been entered for home consumption.

The RSA Storage Warehouse must obtain and retain the documentary proof required in terms of section 11(3) of the VAT Act.

VAT implications for the CCAE Storage Warehouse

There are no VAT implications.

Documentation to be completed for VAT purposes:

- A Tax Invoice issued at the zero rate in terms of section 13(1) proviso (ii), subject to section 11(3) of the VAT Act by the RSA Storage Warehouse to the CCAE Storage Warehouse. (See Interpretation Note No. 31).
- Where a Tax Invoice has not been issued at the time that the goods enter the CCA, the RSA Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate.

5.2 Supply of movable goods by a RSA Storage Warehouse to a CCAE Rebate Stockist/Manufacturer

Customs treatment

Clearance ex-warehouse under rebate of duty.

VAT implications for the RSA Storage Warehouse

As the RSA Storage Warehouse is supplying the movable goods to a CCAE Rebate Stockist/Manufacturer, the RSA Storage Warehouse may supply the movable goods by either:

- a. levying VAT at the zero rate in terms of section 13(1) proviso (ii) of the VAT Act where the movable goods are supplied to the CCAE Rebate Stockist/Manufacturer before they have been entered for home consumption; or
- b. clearing the movable goods for importation into the Republic and paying the VAT levied by SARS Customs in terms of section 7(1)(b) of the VAT Act, and then supplying the movable goods, at either:
 - i. the standard rate in terms of section 7(1)(a) of the VAT Act, where the CCAE Rebate Stockist/Manufacturer or the CCAE Rebate Stockist/Manufacturer's cartage contractor collects the movable goods from the RSA Storage Warehouse, i.e. delivery takes place outside the CCA, and accounts for output tax on the supply in the relevant VAT return; or

- ii. the zero rate in terms of section 11(1)(m) of the VAT Act where the RSA Storage Warehouse or a cartage contractor appointed by the RSA Storage Warehouse physically delivers the movable goods to the CCAE Rebate Stockist/Manufacturer in the CCA.

Where the zero rate is applied, the RSA Storage Warehouse must obtain and retain the documentary proof required in terms of section 11(3) of the VAT Act.

VAT implications for the CCAE Rebate Stockist/Manufacturer

If the RSA Storage Warehouse levies VAT at the zero rate as the movable goods have not been entered for home consumption and the CCAE Rebate Stockist/Manufacturer intends to import and enter the movable goods for home consumption into a CCA, the movable goods will be exempt from VAT in terms of section 13(3), read with Item No. 498 in paragraph 8 of Schedule 1 to the VAT Act.

If the RSA Storage Warehouse levied VAT at the zero rate, no VAT implications arise unless the CCAE Rebate Stockist/Manufacturer acquired such goods for the purposes of which a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act, such goods are deemed to be supplied by the CCAE Rebate Stockist/Manufacturer in terms of the provisions of section 18(10) of the VAT Act. The CCAE Rebate Stockist/Manufacturer must make an output tax adjustment in the same tax period in which such goods were acquired. See paragraph 6.

If the RSA Storage Warehouse levies VAT at the standard rate, the CCAE Rebate Stockist/Manufacturer is entitled to claim input tax in terms of section 16(3)(a)(i), read with section 16(2), subject to the provisions of section 17(2) of the VAT Act, on the acquisition of the movable goods where such movable goods will be used to make taxable supplies.

Documentation to be completed for VAT purposes:

- The RSA Storage Warehouse will issue a tax invoice to the CCAE Rebate Stockist/Manufacturer at either:
 - a. The zero rate in terms of section 13(1) proviso (ii), subject to section 11(3) of the VAT Act (see Interpretation Note No. 31); or
 - b. the standard rate in terms of section 7(1)(a) of the VAT Act; or
 - c. the zero rate in terms of section 11(1)(m), subject to section 11(3) of the VAT Act (see Interpretation Note No. 31),

- Where a Tax Invoice has not been issued at the time that the goods enter the CCA, the RSA Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at either the standard rate or the zero rate.

5.3 Supply of movable goods by a CCAE Storage Warehouse to a RSA Storage Warehouse

Customs treatment

Clearance for re-warehousing in bond. **Note:** this transaction will only be permitted if the goods are subject to duty.

VAT implications for the CCAE Storage Warehouse

The CCAE Storage Warehouse will levy VAT on the supply of the movable goods at the zero rate in terms of section 13(1) proviso (ii) of the VAT Act, as the movable goods are being supplied to the RSA Storage Warehouse before the goods have been entered for home consumption.

The CCAE Storage Warehouse must obtain and retain the documentary proof required in terms of section 11(3) of the VAT Act.

VAT implication for the RSA Storage Warehouse

There are no VAT implications.

Documentation to be completed for VAT purposes:

- Tax Invoice issued at the zero rate in terms of section 13(1) proviso (ii), subject to section 11(3) of the VAT Act by the CCAE Storage Warehouse to the RSA Storage Warehouse. (See Interpretation Note No. 31).
- Where a Tax Invoice has not been issued at the time that the goods exit the CCA, the CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate.

5.4 Supply of movable goods by a Foreign Supplier to a CCAE Rebate Stockist/Manufacturer where the movable goods are imported and entered into a CCA

Customs treatment

Declaration for importation for home consumption under rebate of duty.

VAT implications for the Foreign Supplier

There are no VAT implications.

VAT implications for the CCAE Rebate Stockist/Manufacturer

The importation of movable goods is exempt from VAT in terms of section 13(3), read with the specific Item No. of Schedule 1 to the VAT Act.

However, if the CCAE Rebate Stockist/Manufacturer acquired such goods for the purposes of which a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act, such goods are deemed to be supplied by the CCAE Rebate Stockist/Manufacturer in terms of the provisions of section 18(10) of the VAT Act. The CCAE Rebate Stockist/Manufacturer must make an output tax adjustment in the same tax period in which such goods were acquired. See paragraph 6.

Documentation to be completed for VAT purposes:

- No Tax Invoice required to be issued by the Foreign Supplier.

5.5 Supply of movable goods by a Foreign Supplier to a CCAE Storage Warehouse where the movable goods are imported and entered into a CCA**Customs treatment**

Declaration for importation into a bonded warehouse.

VAT implications for the Foreign Supplier

There are no VAT implications.

VAT implications for the CCAE Storage Warehouse

There are no VAT implications as the movable goods are imported and entered for storage into a licensed Customs and Excise storage warehouse located in a CCA and are therefore not entered for home consumption.

Documentation to be completed for VAT purposes:

- No Tax Invoice required to be issued by the Foreign Supplier.

5.6 Supply of movable goods which are consigned or delivered by a CCAE Rebate Stockist/Manufacturer to a Recipient at an address in an export country – Direct export

Customs treatment

Declaration for export.

VAT implications for the CCAE Rebate Stockist/Manufacturer

As the CCAE Rebate Stockist/Manufacturer is directly in control of the exportation and delivery of the movable goods to an address in an export country, either by using the CCAE Rebate Stockist/Manufacturer's own mode of transport or by engaging a cartage contractor, the supply is zero-rated in terms of section 11(1)(a)(i), read with paragraph (a) of the definition of "exported" in section 1 of the VAT Act.

The CCAE Rebate Stockist/Manufacturer must obtain and retain the documentary proof required in terms of section 11(3) of the VAT Act.

VAT implications for the Recipient

There are no VAT implications.

Documentation to be completed for VAT purposes:

- Tax Invoice issued at the zero rate in terms of section 11(1)(a)(i), read with paragraph (a) of the definition of "exported" in section 1, subject to section 11(3) of the VAT Act by the CCAE Rebate Stockist/Manufacturer to the Recipient. As the export falls within the ambit of a direct export, the CCAE Rebate Stockist/Manufacturer must obtain and retain the documentary proof as stipulated in Interpretation Note No. 30 (Issue 2).
- Where a Tax Invoice has not been issued at the time that the goods exit the CCA, the CCAE Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at the zero rate.

5.7 Supply of movable goods by a CCAE Rebate Stockist/Manufacturer to a Qualifying Purchaser who takes delivery of the movable goods in the Republic and subsequently exports the movable goods to an export country – Indirect export - Part One of the Export Incentive Scheme, set out in terms of General Notice No. 2761 of 1998 (published in Government Gazette No. 19471 dated 13 November 1998) (the Scheme).

Customs treatment

Declaration for export.

VAT implications for the CCAE Rebate Stockist/Manufacturer

The CCAE Rebate Stockist/Manufacturer must levy and account for VAT at the standard rate in the relevant VAT return in terms of section 7(1)(a) of the VAT Act, as the Qualifying Purchaser initially takes delivery of the movable goods in the Republic, and subsequently exports such goods to an export country, i.e. the CCAE Rebate Stockist/Manufacturer has no control over the actual export.

VAT implications for the Qualifying Purchaser

In terms of section 11(1)(a)(ii), read with paragraph (d) of the definition of “exported” in section 1 of the VAT Act—

- a. where the Qualifying Purchaser exports the movable goods, the Qualifying Purchaser may submit a claim at the designated commercial port of exit from the Republic to the VAT Refund Administrator (Pty) Ltd (the VRA), being a private company appointed by SARS to administer VAT refunds effected in terms of section 44(9) of the VAT Act, for a refund of the VAT levied by the CCAE Rebate Stockist/Manufacturer; or
- b. where the Qualifying Purchaser’s cartage contractor exports the movable goods, the Qualifying Purchaser may submit a postal claim to the VRA after the movable goods have been imported into the export country, for a refund of the VAT levied by the CCAE Rebate Stockist/Manufacturer.

The Qualifying Purchaser must ensure compliance with the relevant requirements set out in Part One of the Scheme. For example, the movable goods must be exported within 90 days of the date of the CCAE Rebate Stockist/Manufacturer’s tax invoice.

Documentation to be completed for VAT purposes:

- Tax Invoice issued at the standard rate in terms of section 7(1)(a) of the VAT Act by the CCAE Rebate Stockist/Manufacturer to the Qualifying Purchaser.
- Where a Tax Invoice has not been issued at the time that the goods exit the CCA, the CCAE Rebate Stockist/Manufacturer must issue a delivery note or other document

indicating that VAT was levied at the standard rate (the delivery note is not accepted for VAT refund purposes.).

5.8 Supply of movable goods by a CCAE Rebate Stockist/Manufacturer to a Qualifying Purchaser whereby the CCAE Rebate Stockist/Manufacturer ensures that the movable goods are initially delivered to a designated commercial airport or harbour from where the Qualifying Purchaser or the Qualifying Purchaser's cartage contractor will export the movable goods – Indirect export - Part Two of the Scheme

Customs treatment

Declaration for export.

VAT implications for the CCAE Rebate Stockist/Manufacturer

The CCAE Rebate Stockist/Manufacturer may elect to supply the movable goods at the zero rate in terms of section 11(1)(a)(ii)(bb), read with paragraph (d) of the definition of “exported” in section 1 of the VAT Act. In making this election, the CCAE Rebate Stockist/Manufacturer must ensure that the movable goods are delivered to a designated commercial airport or harbour.

The CCAE Rebate Stockist/Manufacturer must obtain and retain the documentary proof required in terms of section 11(3) of the VAT Act, read with Part Two of the Scheme.

VAT implications for the Qualifying Purchaser

There are no VAT implications.

Documentation to be completed for VAT purposes:

- Tax Invoice issued at the zero rate in terms of section 11(1)(a)(ii)(bb), read with paragraph (d) of the definition of “exported” in section 1, subject to section 11(3) of the VAT Act by the CCAE Rebate Stockist/Manufacturer to the Qualifying Purchaser. As the export falls within the ambit of an indirect export, the CCAE Rebate Stockist/Manufacturer must obtain and retain the documentary proof as stipulated in Part Two of the Scheme.
- Where a Tax Invoice has not been issued at the time that the goods exit the CCA, the CCAE Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at the zero rate.

5.9 Supply of movable goods by a CCAE Storage Warehouse to a Foreign Purchaser where such goods will be exported by either party

Customs treatment

Declaration for export.

VAT implications for the CCAE Storage Warehouse

The CCAE Storage Warehouse will levy VAT on the supply of the movable goods at the zero rate in terms of section 13(1) proviso (ii) of the VAT Act, as the movable goods are being supplied to the Foreign Purchaser without having been entered for home consumption.

The CCAE Storage Warehouse must obtain and retain the documentary proof required in terms of section 11(3) of the VAT Act.

VAT implications for the Foreign Purchaser

There are no VAT implications, unless the Foreign Purchaser enters the movable goods for home consumption which will result in VAT being levied in terms of section 7(1)(b) of the VAT Act.

Documentation to be completed for VAT purposes:

- Tax Invoice issued at the zero rate in terms of section 13(1) proviso (ii), subject to section 11(3) of the VAT Act by the CCAE Storage Warehouse to the Foreign Purchaser. (See Interpretation Note No. 31).
- Where a Tax Invoice has not been issued at the time that the goods exit the CCA, the CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate.

5.10 Supply of movable goods by a CCAE Rebate Stockist/Manufacturer to a RSA Rebate Stockist/Manufacturer

Customs treatment

Transfer of rebate goods between Rebate Stockist/Manufacturers.

VAT implications for the CCAE Rebate Stockist/Manufacturer

The supply of movable goods by the CCAE Rebate Stockist/Manufacturer to a RSA Rebate Stockist/Manufacturer is subject to VAT at the standard rate in terms of section 7(1)(a) of the VAT Act. The CCEA Rebate Stockist/Manufacturer must account for output

tax on the supply in the relevant VAT return.

VAT implications for the RSA Rebate Stockist/Manufacturer

The RSA Rebate Stockist/Manufacturer is entitled to claim the VAT paid on the acquisition of the movable goods as input tax in terms of section 16(3)(a)(i), read with section 16(2), subject to the provisions of section 17(2) of the VAT Act.

Documentation to be completed for VAT purposes:

- Tax Invoice issued at the standard rate in terms of section 7(1)(a) of the VAT Act by the CCAE Rebate Stockist/Manufacturer to the RSA Rebate Stockist/Manufacturer.
- Where a Tax Invoice has not been issued at the time that the goods exit the CCA, the CCAE Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at the standard rate.

5.11 Supply of movable goods by a RSA Rebate Stockist/Manufacturer to a CCAE Rebate Stockist/Manufacturer

Customs treatment

Transfer of rebate goods between Rebate Stockist/Manufacturers.

VAT implications for the RSA Rebate Stockist/Manufacturer

On supplying the movable goods, the RSA Rebate Stockist/Manufacturer will levy VAT at either—

- (a) the standard rate in terms of section 7(1)(a) of the VAT Act, where the CCAE Rebate Stockist/Manufacturer or the CCAE Rebate Stockist/Manufacturer's cartage contractor collects the movable goods from the RSA Rebate Stockist/Manufacturer, i.e. delivery takes place outside the CCA, and account for output tax on the supply in the relevant VAT return; or
- (b) the zero rate in terms of section 11(1)(m) of the VAT Act, where the RSA Rebate Stockist/Manufacturer or a cartage contractor appointed by the RSA Rebate Stockist/Manufacturer physically delivers the movable goods to the CCAE Rebate Stockist/Manufacturer in the CCA.

Where the zero rate is applied, the RSA Rebate Stockist/Manufacturer must obtain and retain the documentary proof required in terms of section 11(3) of the VAT Act.

VAT implications for the CCAE Rebate Stockist/Manufacturer

If the RSA Rebate Stockist/Manufacturer levies VAT at the standard rate, the CCAE

Rebate Stockist/Manufacturer is entitled to claim input tax in terms of section 16(3)(a)(i), read with section 16(2), subject to the provisions of section 17(2) of the VAT Act on the acquisition of the movable goods.

If the RSA Rebate Stockist/Manufacturer levied VAT at the zero rate and the CCAE Rebate Stockist/Manufacturer acquires the movable goods for the purposes of which a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act, the goods are deemed to be supplied by the CCAE Rebate Stockist/Manufacturer in terms of the provisions of section 18(10) of the VAT Act. The CCAE Rebate Stockist/Manufacturer must make an output tax adjustment in the same tax period in which the goods were acquired. See paragraph 6.

Documentation to be completed for VAT purposes:

- A Tax Invoice issued by the RSA Rebate Stockist/Manufacturer to the CCAE Rebate Stockist/Manufacturer at either the:
 - i. standard rate in terms of section 7(1)(a) of the VAT Act; or
 - ii. zero rate in terms of section 11(1)(m), subject to section 11(3) of the VAT Act. (See Interpretation Note No. 31).
- Where a Tax Invoice has not been issued at the time that the goods enter the CCA, the RSA Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at either the standard rate or the zero rate.

5.12 Supply of movable goods by a Supplying Vendor to a CCAE or an IDZ operator where the CCAE, the CCAE's cartage contractor, the IDZ operator or the IDZ operator's cartage contractor takes delivery of the movable goods outside a CCA but within the Republic

Customs treatment

No Customs treatment. Movement of goods in free circulation.

VAT implications for the Supplying Vendor

The supply of the movable goods is subject to VAT at the standard rate in terms of section 7(1)(a) of the VAT Act.

VAT implications for the CCAE or the IDZ operator

The CCAE or the IDZ operator is entitled to claim input tax in terms of section 16(3)(a)(i), read with section 16(2), subject to the provisions of section 17(2) of the VAT Act.

Documentation to be completed for VAT purposes:

- A Tax Invoice issued by the Supplying Vendor to the CCAE or the IDZ operator at the standard rate in terms of section 7(1)(a) of the VAT Act.
- Where a Tax Invoice has not been issued at the time that the goods enter the CCA, the Supplying Vendor must issue a delivery note or other document indicating that VAT was levied at the standard rate.
- A completed VAT267 form.

5.13 Supply of movable goods by a Supplying Vendor to a CCAE or an IDZ operator where the Supplying Vendor or the Supplying Vendor's cartage contractor physically delivers the movable goods to the CCAE or the IDZ operator in a CCA

Customs treatment

No Customs treatment. Movement of goods in free circulation.

VAT implications for the Supplying Vendor

Where the Supplying Vendor or the Supplying Vendor's cartage contractor delivers the movable goods to the CCAE or an IDZ operator, the Supplying Vendor must zero rate the supply in terms of section 11(1)(m) of the VAT Act.

The Supplying Vendor must also obtain and retain the documentary proof required in terms of section 11(3) of the VAT Act.

VAT implications for the CCAE or the IDZ operator

Where the CCAE or the IDZ operator acquires goods for the purposes of which a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act, the goods are deemed to be supplied by the CCAE or an IDZ operator in terms of the provisions of section 18(10) of the VAT Act. The CCAE or the IDZ operator must make an output tax adjustment in the same tax period in which the goods were acquired. See paragraph 6.

Documentation to be completed for VAT purposes:

- A Tax Invoice issued by the Supplying Vendor to the CCAE or the IDZ operator at the zero rate in terms of section 11(1)(m), subject to section 11(3) of the VAT Act. (See Interpretation Note No. 31).
- Where a Tax Invoice has not been issued at the time that the goods enter the CCA, the Supplying Vendor must issue a delivery note or other document indicating that VAT was levied at the zero rate.

- A completed VAT267 form.

5.14 Supply of movable goods by a Supplying Vendor to a CCAE or an IDZ operator in terms of a rental agreement, charter party or agreement for chartering and such goods are used exclusively in a CCA

Customs treatment

No Customs treatment. Movement of goods in free circulation.

VAT Implications for the Supplying Vendor

The Supplying Vendor will supply the movable goods at the zero rate in terms of section 11(1)(c) of the VAT Act.

In applying the zero rate the Supplying Vendor must obtain and retain the relevant documentary proof as determined in terms of section 11(3) of the VAT Act.

It is important to note that this provision excludes the supply of a “motor car” as defined in terms of section 1 of the VAT Act which results in the supply of a “motor car” to a CCAE or an IDZ operator always being subject to VAT at the standard rate in terms of section 7(1)(a) of the VAT Act.

VAT implications for the CCAE or the IDZ operator

Where the CCAE or the IDZ operator acquired goods for the purposes of which a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act, the goods are deemed to be supplied by the CCAE or the IDZ operator in terms of the provisions of section 18(10) of the VAT Act. The CCAE or the IDZ operator must make an output tax adjustment in the same tax period in which the goods were acquired. See paragraph 6.

Documentation to be completed for VAT purposes:

- A Tax Invoice/rental agreement issued by the Supplying Vendor to the CCAE or the IDZ operator at the zero rate in terms of section 11(1)(c), subject to section 11(3) of the VAT Act. (See Interpretation Note No. 31)
- Where a Tax Invoice/rental agreement has not been issued at the time that the goods enter the CCA, the Supplying Vendor must issue a delivery note or other document indicating that VAT was levied at the zero rate.
- A completed VAT267 form.

5.15 Supply of services that are physically rendered in a CCA by a Supplying Vendor to a CCAE or an IDZ operator

VAT implications for the Supplying Vendor

Where the Supplying Vendor physically renders the services in a CCA, the supply is subject to VAT at the zero rate in terms of section 11(2)(k) of the VAT Act.

In applying the zero rate the Supplying Vendor must obtain and retain the relevant documentary proof as determined in terms of section 11(3) of the VAT Act.

VAT implications for the CCAE or the IDZ operator

Where the CCAE or the IDZ operator acquires services for the purposes of which a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act, the services are deemed to be supplied by the CCAE or the IDZ operator in terms of the provisions of section 18(10) of the VAT Act. The CCAE or the IDZ operator must make an output tax adjustment in the same tax period in which the services were acquired. See paragraph 6.

Documentation to be completed for VAT purposes:

- A Tax Invoice issued by the Supplying Vendor to the CCAE or the IDZ operator at the zero rate in terms of section 11(2)(k), subject to section 11(3) of the VAT Act. (See Interpretation Note No. 31)
- A completed VAT267 form.

5.16 Movable goods originally supplied in terms of a rental agreement, charter agreement or agreement for charter that are subsequently returned by a CCAE to the Supplying Vendor

VAT implications for the Supplying Vendor

There are no VAT implications.

VAT implications for the CCAE

There are no VAT implications.

Documentation to be completed for VAT purposes:

- A copy of the relevant page of the VAT267 form completed in respect of the entry of the goods into the CCA, together with the completion of the relevant Copy of the VAT267 form on the exit of the movable goods from the CCA.

5.17 Supply of movable goods by a CCAE Storage Warehouse to a Receiving Vendor in the Republic

Customs treatment

Entry for home consumption bringing duty to account.

(a) VAT implications for the CCAE Storage Warehouse where movable goods are first cleared for home consumption before being supplied to a Receiving Vendor in the Republic

As the CCAE Storage Warehouse is supplying the movable goods to a Receiving Vendor in the Republic, the movable goods must be cleared for home consumption. The entry for home consumption by the CCAE Storage Warehouse will be subject to VAT in terms of section 7(1)(b) of the VAT Act.

The CCAE Storage Warehouse is entitled to claim the VAT paid as input tax in terms of section 16(3)(a)(iii), read with section 16(2)(d), subject to the provisions of section 17(2) of the VAT Act.

On supplying the movable goods to the Receiving Vendor, the CCAE Storage Warehouse will levy and account for VAT in the relevant VAT return at the standard rate in terms of section 7(1)(a) of the VAT Act.

VAT implications for the Receiving Vendor

The Receiving Vendor is entitled to claim input tax in terms of section 16(3)(a)(i), read with section 16(2), subject to the provisions of section 17(2) of the VAT Act on the acquisition of the movable goods.

Documentation to be completed for VAT purposes:

- A Tax Invoice issued by the CCAE Storage Warehouse to the Receiving Vendor at the standard rate in terms of section 7(1)(a) of the VAT Act.
- Where a Tax Invoice has not been issued at the time that the goods exit the CCA, the CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the standard rate.

(b) VAT implications for the CCAE Storage Warehouse where movable goods are supplied to a Receiving Vendor prior to the goods being cleared for home consumption

The CCAE Storage Warehouse will levy VAT on the supply of the movable goods at the zero rate in terms of section 13(1) proviso (ii) of the VAT Act, as the movable

goods are being supplied to a Receiving Vendor before having been entered for home consumption.

The CCAE Storage Warehouse must obtain and retain the documentary proof required in terms of section 11(3) of the VAT Act.

VAT implications for the Receiving Vendor

There are no VAT implications, unless the Receiving Vendor enters the movable goods for home consumption which will result in VAT being levied in terms of section 7(1)(b) of the VAT Act.

Documentation to be completed for VAT purposes:

- A Tax Invoice issued by the CCAE Storage Warehouse to the Receiving Vendor at the zero rate in terms of section 13(1) proviso (ii), subject to section 11(3) of the VAT Act. (See Interpretation Note No.31 (Issue 2))
- Where a Tax Invoice has not been issued at the time that the goods exit the CCA, the CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate.

5.18 Supply of movable goods by a CCAE Rebate Stockist/Manufacturer to a Receiving Vendor in the Republic

Customs treatment

Entry for home consumption bringing duty to account.

VAT implications for the CCAE Rebate Stockist/Manufacturer

Where goods or raw material were-

- imported under the exemption from VAT in terms of section 13(3), read with Item No. 498.00 in paragraph 8 of Schedule 1 to the VAT Act;
- acquired locally at the standard rate with input tax being claimed in terms of section 16(3)(a)(i), read with section 16(2) of the VAT Act; or
- acquired locally at the zero rate,

the supply of those goods or goods manufactured from those raw materials by a CCAE Rebate Stockist/Manufacturer to a Receiving Vendor in the Republic will be subject to VAT in terms of section 7(1)(a) of the VAT Act.

VAT implications for the Receiving Vendor

The Receiving Vendor is entitled to claim input tax in terms of section 16(3)(a)(i), read

with section 16(2), subject to the provisions of section 17(2) of the VAT Act on the acquisition of the movable goods.

Documentation to be completed for VAT purposes:

- A completed VAT267 form.
- A tax invoice issued by the CCAE Rebate Stockist/Manufacturer to the Receiving Vendor at the standard rate in terms of section 7(1)(a) of the VAT Act.
- Where a tax invoice has not been issued at the time that the goods exit the CCA, the CCAE Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at the standard rate.

5.19 Deemed supply of goods by a CCAE where movable goods are temporarily removed from a place in a CCA to a place outside the CCA, situated in the Republic, and those goods are not returned to the CCA within 30 days of removal or within a period arranged in writing with the Controller

A CCAE temporarily removes movable goods from a place in a CCA to a place outside the CCA, but in the Republic (for example, as the movable goods have to be repaired), and those goods are not returned to the CCA within 30 days of being removed from the CCA or within a period arranged in writing with the Controller.

VAT implications for the Supplying Vendor

The Supplying Vendor performing the repair service will standard rate any services supplied to the movable goods in terms of section 7(1)(a) of the VAT Act.

VAT implications for the CCAE

If the movable goods had been returned to the CCA within 30 days of having been removed from the CCA (or within a period arranged in writing with the Controller), and the Supplying Vendor had rendered services in respect of the movable goods, the CCAE would be entitled to claim input tax in terms of section 16(3)(a)(i), read with section 16(2), subject to the provisions of section 17(2) of the VAT Act.

However, as the movable goods are not returned within the required time period, the CCAE is deemed in terms of section 8(24) of the VAT Act to have supplied such goods in the course or furtherance of carrying on the CCAE's enterprise. The supply is in terms of section 9(11) of the VAT Act deemed to take place on the last day of the applicable period as contemplated in section 8(24) of the VAT Act and the consideration in money is in terms of section 10(25) of the VAT Act deemed to be the open market value of those

goods on the last day on which the 30 day period (or the last day of the extended period which was approved by the Controller) expires.

Documentation to be completed for VAT purposes:

- A VAT267 form when the movable goods exit the CCA to record the temporary removal from the CCA for specific purposes.
- A Tax Invoice issued by the Supplying Vendor to the CCAE at the standard rate in terms of section 7(1)(a) of the VAT Act.
- A VAT267 form when the movable goods re-enter the CCA to record the permanent return thereof to the CCA.

Example:

A CCAE removes a facsimile machine, used in the course of making taxable supplies, from the CCA to a supplier in the Republic for the purposes of the facsimile machine being repaired. The facsimile machine is not returned to the CCA within 30 days of its removal. No alternate arrangement is made with the Controller to extend the 30 day period.

The CCAE is liable to account for output tax on the open market value of the facsimile machine, calculated at the end of the 30 day period (or the last day of the extended period which was approved by the Controller). For example, the facsimile machine has an open market value of R1000. When it leaves the CCA, it is only valued at R500 due to it requiring repairs. At the end of the 30 day period, the open market value is R500 as the facsimile machine has not been repaired. The CCAE has to account for output tax on R500 amounting to R61, 40 in the tax period when the 30 day period (or the last day of the extended period which was approved by the Controller) expires.

5.20 A Vendor permanently moves movable goods out of a CCAE Storage Warehouse to the Vendor's retail outlet situated in the Republic but outside a CCA

Customs treatment

Entry for home consumption ex storage warehouse.

VAT Implications for the Vendor

As the movable goods are being removed from CCAE Storage Warehouse to a place in the Republic but outside a CCA, the movable goods must first be entered for home consumption. The entry for home consumption by the Vendor will be subject to VAT at the standard rate in terms of section 7(1)(b) of the VAT Act.

If the Vendor acquired the movable goods for the purposes of consumption, use or supply in the course of making taxable supplies, the Vendor is entitled to claim input tax in terms of section 16(3)(a)(iii), read with section 16(2)(d), subject to the provisions of section 17(2) of the VAT Act.

Documentation to be completed for VAT purposes:

- A delivery note.

5.21 Supply of movable goods by a Supplying CCAE Storage Warehouse to a Receiving CCAE Storage Warehouse

Customs treatment

In bond removal for re-warehousing.

VAT implications for the Supplying CCAE Storage Warehouse

The Supplying CCAE Storage Warehouse will levy VAT on the supply of the movable goods at the zero rate in terms of section 13(1) proviso (ii) of the VAT Act, as the movable goods are being supplied to the Receiving CCAE Storage Warehouse before they have been entered for home consumption.

The Supplying CCAE Storage Warehouse must obtain and retain the documentary proof required in terms of section 11(3) of the VAT Act.

VAT implications for the Receiving CCAE Storage Warehouse

There are no VAT implications.

Documentation to be completed for VAT purposes:

- A Tax Invoice issued by the Supplying CCAE Storage Warehouse to the Receiving CCAE Storage Warehouse at the zero rate in terms of section 13(1) proviso (ii), subject to section 11(3) of the VAT Act. (See Interpretation Note No.31 (Issue 2)).
- Where a Tax Invoice has not been issued at the time that the goods move within or exit the CCA, the Supplying CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at the zero rate.

5.22 Supply of movable goods in a CCA by a Supplying CCAE Rebate Stockist/Manufacturer to a Receiving CCAE Rebate Stockist/Manufacturer

Customs treatment

Transfer of rebate goods between Rebate Stockist/Manufacturers.

VAT implications for the Supplying CCAE Rebate Stockist/Manufacturer

On supplying the movable goods, the Supplying CCAE Rebate Stockist/Manufacturer will levy VAT at either: —

- a. the standard rate in terms of section 7(1)(a) of the VAT Act and account for the output tax on the supply in the relevant VAT return, where the Receiving CCAE Rebate Stockist/Manufacturer or the Receiving CCAE Rebate Stockist/Manufacturer's cartage contractor collects the movable goods from the Supplying CCAE Rebate Stockist/Manufacturer; or
- b. the zero rate in terms of section 11(1)(m) of the VAT Act, where the Supplying CCAE Rebate Stockist/Manufacturer or a cartage contractor appointed by the Supplying CCAE Rebate Stockist/Manufacturer physically delivers the movable goods to the Receiving CCAE Rebate Stockist/Manufacturer in a CCA.

Where the zero rate is applied the Supplying CCAE Rebate Stockist/Manufacturer must obtain and retain the documentary proof required in terms of section 11(3) of the VAT Act.

VAT implications for the Receiving CCAE Rebate Stockist/Manufacturer

If the Supplying CCAE Rebate Stockist/Manufacturer levies VAT at the standard rate, the Receiving CCAE Rebate Stockist/Manufacturer is entitled to claim input tax in terms of section 16(3)(a)(i), read with section 16(2), subject to the provisions of section 17(2) of the VAT Act on the acquisition of the movable goods.

If the Supplying CCAE Rebate Stockist/Manufacturer levied VAT at the zero rate, and the Receiving CCAE Rebate Stockist/Manufacturer acquires the goods for the purposes of which a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act, such goods are deemed to be supplied by the Receiving CCAE Rebate Stockist/Manufacturer in terms of the provisions of section 18(10) of the VAT Act. The Receiving CCAE Rebate Stockist/Manufacturer must make an output tax adjustment in the same tax period in which such goods were acquired. See paragraph 6.

Documentation to be completed for VAT purposes:

- A Tax Invoice issued by the Supplying CCAE Rebate Stockist/Manufacturer to the

Receiving CCAE Rebate Stockist/Manufacturer at either the:

- i. standard rate in terms of section 7(1)(a) of the VAT Act; or
 - ii. zero rate in terms of section 11(1)(m), subject to section 11(3) of the VAT Act.
(See Interpretation Note No. 31)
- Where a Tax Invoice has not been issued at the time that the goods move within the CCA, the Supplying CCAE Rebate Stockist/Manufacturer must issue a delivery note or other document indicating that VAT was levied at either the standard rate or the zero rate.

5.23 Supply of movable goods by a CCAE Storage Warehouse to a CCAE Rebate Stockist/Manufacturer

Customs treatment

Clearance ex warehouse under rebate of duty. Entry for home consumption.

VAT implications for the CCAE Storage Warehouse

As the CCAE Storage Warehouse is supplying the movable goods to a CCAE Rebate Stockist/Manufacturer, the movable goods may first be entered for home consumption. The entry for home consumption by the CCAE Storage Warehouse will be exempt from VAT in terms of section 13(3), read with Item No. 498 in paragraph 8 of Schedule 1 to the VAT Act.

On supplying the movable goods, the CCAE Storage Warehouse will levy and account for output tax in the relevant VAT return at either:

- a. the standard rate in terms of section 7(1)(a) of the VAT Act, where the CCAE Rebate Stockist/Manufacturer or the CCAE Rebate Stockist/Manufacturer's cartage contractor collects the movable goods from the CCAE Storage Warehouse; or
- b. the zero rate in terms of section 11(1)(m) of the VAT Act, where the CCAE Storage Warehouse or a cartage contractor appointed by the CCAE Storage Warehouse physically delivers the movable goods.

Where the zero rate is applied the CCAE Storage Warehouse must obtain and retain the documentary proof required in terms of section 11(3) of the VAT Act.

Where the CCAE Storage warehouse supplies the movable goods to a CCAE Rebate Stockist/Manufacturer prior to the goods having being entered for home consumption, the supply will be zero-rated in terms of section 13(1) proviso (ii).

VAT implications for the CCAE Rebate Stockist/Manufacturer

If the CCAE Storage Warehouse levies VAT at the standard rate, the CCAE Rebate Stockist/Manufacturer is entitled to claim input tax in terms of section 16(3)(a)(i), read with section 16(2), subject to the provisions of section 17(2) of the VAT Act on the acquisition of the movable goods.

If the CCAE Storage Warehouse levies VAT at the zero rate, and the CCAE Rebate Stockist/Manufacturer acquires the goods for the purposes of which a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act, such goods are deemed to be supplied by the CCAE Rebate Stockist/Manufacturer in terms of the provisions of section 18(10) of the VAT Act. The CCAE Rebate Stockist/Manufacturer must make an output tax adjustment in the same tax period in which such goods were acquired. See paragraph 6.

Documentation to be completed for VAT purposes:

- A Tax Invoice issued by the CCAE Storage Warehouse to the CCAE Rebate Stockist/Manufacturer as follows:
 - i. Where the movable goods are entered for home consumption:
 - a. at the standard rate in terms of section 7(1)(a) of the VAT Act; or
 - b. at the zero rate in terms of section 11(1)(m), subject to section 11(3) of the VAT Act, (see Interpretation Note No. 31), or
 - ii. Where the movable goods are supplied before being entered for home consumption:
 - a. at the zero rate in terms of section 13(1) proviso (ii), subject to section 11(3) of the VAT Act. (See Interpretation Note No. 31).
- Where a Tax Invoice has not been issued at the time that the goods move within or exit the CCA, the CCAE Storage Warehouse must issue a delivery note or other document indicating that VAT was levied at either the standard rate or the zero rate.

5.24 Supply of movable goods in terms of a rental agreement, charter party or agreement for chartering by a Supplying CCAE to a Receiving CCAE for exclusive use in a CCA

Customs treatment

No Customs treatment. Movement of goods in free circulation.

VAT Implications for the Supplying CCAE

The Supplying CCAE will supply the movable goods at the zero rate in terms of section 11(1)(c) of the VAT Act.

In applying the zero rate the Supplying CCAE must obtain and retain the relevant documentary proof as determined in terms of section 11(3) of the VAT Act.

It is important to note that this provision excludes the supply of a “motor car” as defined in terms of section 1 of the VAT Act which results in the supply of a “motor car” to a CCAE always being subject to VAT at the standard rate in terms of section 7(1)(a) of the VAT Act.

VAT implications for the Receiving CCAE

Where the Receiving CCAE acquires goods for the purposes of which a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act, such goods are deemed to be supplied by the Receiving CCAE in terms of the provisions of section 18(10) of the VAT Act. The Receiving CCAE must make an output tax adjustment in the same tax period in which such goods were acquired. See paragraph 6.

Documentation to be completed for VAT purposes:

- A Tax Invoice issued by the Supplying CCAE to the Receiving CCAE at the zero rate in terms of section 11(1)(c), subject to section 11(3) of the VAT Act. (See Interpretation Note No. 31).
- Where a Tax Invoice has not been issued at the time that the goods move within or exit the CCA, the Supplying CCAE must issue a delivery note or other document indicating that VAT was levied at the zero rate.
- A completed VAT267 form.

5.25 Supply of services by a Supplying CCAE which are physically rendered to a Receiving CCAE in a CCA

VAT implications for the Supplying CCAE

As the Supplying CCAE physically renders the services in a CCA, the supply is subject to VAT at the zero rate in terms of section 11(2)(k) of the VAT Act.

In applying the zero rate the Supplying CCAE must obtain and retain the relevant documentary proof as determined in terms of section 11(3) of the VAT Act.

VAT implications for the Receiving CCAE

Where the Receiving CCAE acquires the services for the purposes of which a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act, such services are deemed to be supplied by the Receiving CCAE in terms of the provisions of

section 18(10) of the VAT Act. The Receiving CCAE must make an output tax adjustment in the same tax period in which the services were acquired. See paragraph 6.

Documentation to be completed for VAT purposes:

- A Tax Invoice issued by the Supplying CCAE to the Receiving CCAE at the zero rate in terms of section 11(2)(k), subject to section 11(3) of the VAT Act. (See Interpretation Note No. 31).
- A completed VAT267 form.

6. Output tax adjustment to be made where goods or services are acquired by a CCAE or an IDZ operator at the zero rate or exempt from VAT and such goods or services are acquired where a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act — Section 18(10) of the VAT Act

In instances where a CCAE or an IDZ operator acquires goods or services at the zero rate or exempt from VAT and such goods or services are acquired where a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act, such goods or services are deemed to be supplied by the CCAE or the IDZ operator in terms of the provisions of section 18(10) of the VAT Act. The CCAE or the IDZ operator must make an output tax adjustment in the same tax period in which such goods or services were acquired in accordance with the formula:

$$A \times B$$

in which formula—

“A” represents the rate of tax levied in terms of section 7(1) of the VAT Act; and

“B” represents—

- a. the cost to the CCAE or IDZ operator of the acquisition of those goods or services which were supplied to him in terms of sections 11(1)(c), 11(1)(m), 11(1)(mA) or 11(2)(k) of the VAT Act; or
- b. the value to be placed on the importation of goods into the Republic as determined in terms of section 13(2) of the VAT Act.

The effect of the adjustment is to ensure that the standard rate of VAT is effectively levied on goods where the provisions of section 17(2) of the VAT Act are applicable.

Example 1:

A CCAE purchases a microwave oven for R2 000 at the zero rate in terms of section 11(1)(m) of the VAT Act. The microwave oven was acquired by the CCAE for use by employees.

As the microwave oven has been acquired at the zero rate in terms of section 11(1)(m) of the VAT Act, for purposes where a deduction of input tax would have been denied in terms of section 17(2) of the VAT Act, the CCAE is liable to account for output tax on the cost of the acquisition of the microwave oven. The cost to the CCAE of the acquisition of the microwave oven is R2 000.

Therefore, the output tax to be declared by the CCAE is calculated as follows:

A x B

With A being the 14% VAT rate and B being the R2 000 cost of the acquisition of the microwave oven—

$$14\% \times R2\ 000 = R280$$

The CCAE has to account for output tax amounting to R280 in the same tax period in which the microwave oven was acquired.

Example 2:

A CCAE imports a “motor car” as defined in section 1 of the VAT Act for use in its business activities in a CCA. The customs value, including duty levied in terms of the Customs and Excise Act and the 10 percent upliftment, for the purposes of section 13(2) of the VAT Act is R140 000.

As the motor car is being imported into a CCA, the importation is exempt from VAT in terms of section 13(3), read with Item No. 498 in paragraph 8 of Schedule 1 to the VAT Act.

As the imported goods comprise a “motor car” as defined in section 1 of the VAT Act and an input tax deduction is denied in terms of section 17(2) of the VAT Act, the CCAE is liable to account for output tax on the value placed on the importation as determined in terms of section 13(2) of the VAT Act. The value placed on the importation is in this case the customs value for the purposes of section 13(2) of the VAT Act of R140 000.

Therefore, the output tax to be declared by the CCAE is calculated as follows:

A x B

With A being the 14% VAT rate and B being the R140 000 value placed on the importation —

$$14\% \times R140\,000 = R19\,600$$

The CCAE has to account for output tax amounting to R19 600 in the same tax period in which the motor car was imported.

7. Conclusion

This Interpretation Note endeavours to provide guidance and clarity on the VAT implications of transactions where goods and/or services are supplied to and/or from a CCA.

Should further information be required in this regard, contact your local SARS Branch Office.

Legal and Policy Division
SOUTH AFRICAN REVENUE SERVICE

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SCHEMATIC REPRESENTATION OF SUPPLIES OF MOVABLE GOODS AND/OR SERVICES TO, AND/OR FROM AN ENTERPRISE LOCATED IN A CUSTOMS CONTROLLED AREA OF AN INDUSTRIAL DEVELOPMENT ZONE

