BINDING GENERAL RULING (VAT): NO. 11

EFFECTIVE DATE: 01 September 2012

ACT	**:**	**VALUE-ADDED TAX ACT NO. 89 OF 1991**
SECTIONS	**:**	**SECTIONS 9, 10, AND 20**
SUBJECT	**:**	**USE OF AN EXCHANGE RATE**

All rulings issued in regard to the use of an exchange rate for purposes of issuing a tax invoice are withdrawn with effect from 1 September 2012.

1. Purpose

This Binding General Ruling (BGR) prescribes the foreign exchange rate that must be used when issuing tax invoices as well as for determining the output tax due where the consideration for the standard rated supply is in a foreign currency.

2. Background

Vendors in some instances conclude contracts or issue tax invoices in respect of the taxable supply of goods and services which is taxable at the standard rate. In addition, such contracts or tax invoices, as the case may be, reflect the consideration in a foreign currency.

3. Issue

The issue under consideration is the exchange rate that should be applied to determine the consideration in Rands for purposes of complying with section 20(4) and (5) as well as for determining the vendor's output tax liability.

4. The law and its application

For purposes of the Act, a supply of goods or services is deemed in terms of section 9, to take place when the time of supply occurs. A vendor is liable in terms of section 16(4) to account for output tax in respect of a supply in the tax period in which the supply is made. The value to be placed on the supply of goods or services is determined in accordance with the provisions of section 10.

Section 20(1) places an obligation on a supplier to issue a tax invoice within 21 days from the date of making a taxable supply. Section 20(4) and (5) requires a tax invoice to be in the currency of the Republic, unless the supply is zero-rated in terms of section 11.

5. Ruling

A vendor is required to issue a tax invoice that complies with section 20(4) or (5), in the currency of the Republic within 21 days of the date of the supply. In addition to the requirements as set out in section 20(4) or (5) as the case may be, the vendor must also reflect the consideration for the supply in a foreign currency as well as the relevant exchange rate on the tax invoice. In this regard, it will be acceptable to the Commissioner if vendors use the applicable daily exchange rate[1] as published on the South African Reserve Bank website[2], at the time of supply, to determine the Rand equivalent of the consideration for the supply.

The consideration as reflected on the tax invoice must be reflected as output tax in the vendor's VAT 201 return for the applicable tax period.

This BGR is issued in accordance with section 76P of the Income Tax Act, No. 58 of 1962, as made applicable to the VAT Act by section 41A. It is effective from 1 September 2012 and will apply for an indefinite period.

[1] The exchange rate is the weighted average of the banks' daily rates at approximately 10:30 am.

[2] http://www.resbank.co.za/Research/Rates/Pages/SelectedHistoricalExchangeAndInterestRates.aspx.