

BINDING GENERAL RULING (VAT) NO: 27

DATE: 26 March 2015

ACT : VALUE-ADDED TAX ACT NO. 89 OF 1991
SECTION : SECTIONS 20(4), (5), (7), 21(1) AND (5)
SUBJECT : APPLICATION OF SECTIONS 20(7) AND 21(5)

Preamble

For purposes of this ruling –

- **“BGR”** means a binding general ruling issued under section 89 of the Tax Administration Act, 2011;
- **“section”** means a section of the VAT Act;
- **“VAT”** means value-added tax;
- **“VAT Act”** means the Value-Added Tax Act No. 89 of 1991;
- **“the Note”** means Interpretation Note No. 83 “Application of sections 20(7) and 21(5)”; and
- any other word or expression bears the meaning ascribed to it in the VAT Act.

1. Purpose

This BGR sets out the circumstances and conditions under which a vendor need not issue a tax invoice, credit or debit note.

2. Ruling

The Commissioner, subject to the conditions listed below, directs under sections 20(7)(b) and 21(5)(b) that a tax invoice, credit or debit note need not be issued.

Approved conditions

The Commissioner considers that it would be impractical to require that a tax invoice, credit or debit note be issued when the transactions in question consist of a number of progressive or periodic taxable supplies made by a registered vendor in accordance with a written contract for a supply of goods or services which provides for a regular payment of a determinable amount. This will apply in the following circumstances:

- Rental agreements for movable or immovable property
- Royalty agreements
- Short-term insurance

The Commissioner's direction in respect of the aforementioned transactions, is on condition that –

- (a) the recipient is in possession of the contract document which contains the following information:
 - (i) The names, addresses and VAT registration numbers of the supplier and recipient. The VAT registration number of the recipient will only be required if the recipient is a vendor. Furthermore, the name and VAT registration number of the recipient will not be required if the consideration for the supply does not exceed R5 000;
 - (ii) A description of the goods or services supplied; and
 - (iii) A statement that the supplies are charged with VAT at the applicable rate.
- (b) the supplier and recipient retains proof of payment of each amount paid where the relevant contract does not contain the consideration payable;
- (c) the contract mentioned above contains a statement that the contract complies with the Commissioner's direction under section 20(7) or 21(5), as the case may be; and
- (d) the abovementioned contract which includes the relevant particulars must be retained for a period contemplated in compliance with section 55 read with Part A of Chapter 4 of the Tax Administration Act No. 28 of 2011.

This ruling constitutes a BGR issued under section 89 of the Tax Administration Act.

3. Period for which this ruling is valid

This BGR is effective from date of issue and will apply until it is withdrawn or the relevant legislation is amended.

All rulings or decisions issued regarding the application of section 20(7) or 21(5) remain in force until such rulings expire or are specifically withdrawn.

4. General

Vendors not able to comply with the criteria stipulated in this BGR, may apply for a decision 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, excluding section 79(4)(f) and (k) and (6).

**Group Executive: Interpretation and Rulings
Legal and Policy Division
SOUTH AFRICAN REVENUE SERVICE**