

**VAT CLASS RULING: VCR 001**

DATE: 27 February 2024

**ACT : VALUE-ADDED TAX ACT 89 OF 1991 (VAT Act)**  
**SECTION : SECTIONS 16(3)(a)(iii), SECTION 16(2)(d) AND 41B**  
**SUBJECT : DEDUCTION OF INPUT TAX ON THE IMPORTATION OF GOODS**

***Preamble***

This value-added tax (VAT) class ruling is published with the consent of the Applicant(s) to which it has been issued and is binding only upon the South African Revenue Service (SARS) and applies only to the Applicant and any Co-applicant(s). This ruling is published for general information and does not constitute a practice generally prevailing.

**1. Summary**

The Applicant being the importer of record of goods, acquired the said goods for purposes of making taxable supplies. Although the import VAT was initially paid by the Co-applicant on importation into the Republic, the Applicant undertook that a reimbursement of the import VAT will be made by the Applicant to the Co-applicant upon inspection and acceptance of the goods.

**2. Relevant tax laws**

In this VAT class ruling, all references to sections hereinafter are to sections of the VAT Act unless otherwise stated. Unless the context indicates otherwise any word or expression in this VAT ruling bears the meaning ascribed to it in the VAT Act.

This VAT class ruling concerns the interpretation and application of the following provisions of the VAT Act:

- Section 1(1), definition of “input tax”
- Section 16(2)(d)
- Section 16(3)(a)(iii)

**3. Parties to the application**

The Applicant is a company incorporated and a VAT registered vendor in South Africa. The Applicant manufactures and supplies a range of sustainable products and packaging.

The Co-applicant is a company incorporated and tax resident in a foreign jurisdiction. The Co-applicant is a leading beverage manufacturer, who acquires goods from suppliers based in South Africa.

#### 4. Background and facts

The Applicant sells goods to the Co-applicant. Specialised packaging is used for the shipments of the goods, as the goods are fragile and the transport is long distance, that is, the movable goods are exported *via* road from South Africa to the foreign jurisdiction *via* designated cartage contractors.

The Applicant, as supplier, arranges the transportation of the goods and charges VAT at the zero rate on these export sales. The specialised packaging forms part of the sale to the Co-applicant and is separately reflected on the tax invoice issued by the Applicant.

As the specialised packaging used for the shipment of the goods is re-usable, the Co-applicant will sell the packaging back to the Applicant.

The Co-applicant will facilitate the customs clearing process for the specialised packaging, including payment of the Customs VAT to SARS upon importation back into South Africa and in respect of the sale from the Co-applicant to the Applicant. The Co-applicant also arranges and pays for the transportation of the specialised packaging by road from the foreign jurisdiction to South Africa.

The Applicant is the importer of record and consignee on the clearance instruction and relative Bills of Entry for the specialised packaging being imported into South Africa. The Co-applicant will issue a commercial invoice to the Applicant for the packaging supplied, which is presented to SARS Customs. Once the specialised packaging has arrived back in South Africa and upon inspection and acceptance by the Applicant, ownership will pass from the Co-applicant.

The Applicant and the Co-applicant agreed in an undertaking between the parties to reimburse the Co-applicant for the VAT paid on importation of the specialised packaging.

Upon inspection and acceptance of the goods and acquiring ownership of the specialised packaging being imported into South Africa and by way reimbursement to the Co-applicant, the Applicant agrees to ultimately settle the Customs VAT as required by section 16(3).

#### 5. Conditions and assumptions

This VAT class ruling is subject to the Standard Terms, Conditions and Assumptions issued by the Commissioner, and the provisions of Chapter 7 of the Tax Administration Act 28 of 2011, excluding sections 79(4)(f), (k), (6) and 81(1)(b).

#### 6. Ruling

The binding class ruling issued to the Applicant is as follows:

- (a) The Applicant is entitled in terms of section 16(3)(a)(iii) read with paragraph (a)(ii) of the definition of "input tax" in section 1(1), to deduct the VAT paid on the importation of the goods.
- (b) The VAT class ruling is subject to:
  - (i) The Applicant reimbursing the Co-applicant the VAT paid on the importation of the goods into the Republic; and

- (ii) The Applicant obtaining and retaining the necessary documentary proof required in section 16(2)(d).

**7. Period for which this ruling is valid**

This VAT class ruling applies only in respect of the transaction(s) set out above and is –

- (a) valid from date of issue; and
- (b) valid for a period of five years from the date of issue.

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