SARS
South African Revenue Service

VAT RULING: VR 012

DATE: 30 May 2025

ACT	**:**	**VALUE-ADDED TAX ACT 89 OF 1991 (the VAT Act)**
SECTION	**:**	**SECTIONS 17(1) AND 41B**
SUBJECT	**:**	**APPORTIONMENT**

Preamble

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

1. Summary

This VAT ruling approves the method of apportionment being the varied turnover-based method which is applied to the Applicant that is a holding company for a group of companies which operate in the electronics and low-voltage electrical engineering industries.

2. Relevant tax laws

In this VAT 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 ruling concerns the interpretation and application of the following provisions of the VAT Act:

- Section 1(1) – definition of “input tax”
- Section 16
- Section 17(1)

3. Parties to the application

The Applicant is a listed company incorporated in and a resident of the Republic.

4. Description of the transactions

The Applicant is a company which conducts the following activities:

- Holds an equity interest in a number of subsidiary companies
- Holds preference share interests in various group companies
- Leasing of rental space to its subsidiaries
- trades in manufacturing and engineering services

The following income streams are received:

- Significant amounts of inter-company ordinary dividend income
- Preference dividend income
- Rental income from its subsidiaries

The Commissioner for SARS (the Commissioner) is requested to issue a ruling under section 41B, read with section 17(1), confirming that the vendor may apply the varied turnover-based method which includes all income streams with the following variations –

including –

- dividend income only to the extent of the difference between the Prime Interest Rate and JIBAR,[1] and

excluding –

- interest received on surplus funds on local operating bank accounts;
- foreign exchange gains and losses (realised and unrealised) which do not result from hedging transactions; and
- the profit/loss on the sale of shares,

with effect from the commencement of the 2023 financial year.

5. Conditions and assumptions

This VAT 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 VAT ruling made in connection with the transaction is as follows:

The Applicant may, for the purpose of determining the ratio to be applied to the VAT incurred relating to mixed expenses[2], apply the varied turnover-based method of apportionment as set out below:

$$y = \frac{a}{(a + b + c)} \times \frac{100}{1}$$

where –

y = Apportionment ratio/percentage;

a = The value of all taxable supplies made during the period;

b = The value of all exempt supplies made during the period –

excluding –

- bank interest received on current accounts with financial institutions which are used for the day-to-day operations of the Applicant (all other interest should be included);

[1] Johannesburg Interbank Average Rate.

[2] Refers to expenses incurred partly for making taxable supplies and partly for other non-taxable purposes (for example, exempt supplies or private use).

- any realised foreign exchange gains and losses which do not result from hedging transactions; and
- the profit/loss on the sale of shares;

c = The sum of any other amounts of income not included in “a” or “b” in the formula, which were received, or which accrued during the period (whether in respect of a supply or not) –

including –

- a percentage of dividend income received from subsidiaries, that is, the difference between the Prime Interest Rate and JIBAR; and

excluding –

- any unrealised foreign exchange gains or losses not arising as a result of hedging activities.

Note:

1. That no ruling is made with regards to the type of supplies made by the Applicant and whether such supplies are taxable, exempt or non-taxable for VAT purposes.

2. All income streams should be taken into account when determining the apportionment ratio based on the formula above, except as otherwise provided in the Formula. All the other notes in respect of the formula for the standard turnover-based method contained in BGR 16[3] shall apply (where applicable).

7. Period for which this ruling is valid

This VAT ruling applies only in respect of the transactions set out above and is valid from date of issue, applicable to tax periods commencing on or after 1 October 2022, and valid until 30 September 2025.

Leveraged Legal Products: Indirect Taxes
SOUTH AFRICAN REVENUE SERVICE

[3] Binding General Ruling (VAT) 16 (Issue 2) dated 30 March 2015.