

VAT RULING: VR 015

DATE: 31 March 2026

ACT : VALUE-ADDED TAX ACT, 1991 (the VAT Act)
SECTION : SECTIONS 1(1) – DEFINITIONS OF “COMMERCIAL ACCOMMODATION”, “DWELLING” AND “ENTERPRISE”, 10(10), 16, 17 and 20
SUBJECT : SUPPLY OF STUDENT ACCOMMODATION

Preamble

This Value-Added Tax (VAT) 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 VAT ruling is published for general information and does not constitute a practice generally prevailing.

1. Summary

This VAT ruling deals with the VAT treatment of a supply of student accommodation by a vendor directly to the students for an unbroken period exceeding 28 days.

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) definitions of “commercial accommodation”, “dwelling” and “enterprise”
- Section 10(10)
- Section 16
- Section 17
- Section 20

3. Parties to the application

The Applicant is a private company incorporated in and a resident of the Republic, operating as a developer of buildings for student accommodation.

4. Background and facts

The Applicant commenced with a development project to provide student accommodation for students studying at universities.

Students will be offered various options with varying pricing as follows:

- (a) Room only.
- (b) Room with internet access.
- (c) Room with meals.

All rooms will be furnished and will have electricity.

Students can also purchase meals separately from the canteen and other amenities such as –

- (i) a parking bay;
- (ii) internet access;
- (iii) laundry services;
- (iv) gym access;
- (v) library access; and
- (vi) shuttle services.

The Commissioner for the South African Revenue Service was requested to confirm the following:

- That the Applicant provides “commercial accommodation” as defined in the Value-Added Tax Act (VAT Act) to students and is therefore conducting an “enterprise” for VAT purposes.
- The Applicant is allowed a full input tax deduction on the VAT incurred on the construction and development costs of the student accommodation facility.
- The Applicant must charge VAT at the standard rate on monthly student rentals and all other supplies, including catering. The Applicant can also deduct full input tax on business-related expenses.
- In the case of an unbroken letting period exceeding 28 days, the Applicant will be entitled to levy VAT on 60 per cent of the rental amount due.

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 binding private ruling issued to the Applicant is as follows:

- (a) The accommodation to be supplied by the Applicant to the students will constitute “commercial accommodation” as defined in section 1(1) and is therefore subject to VAT at the standard rate under section 7(1)(a).

- (b) The Applicant may deduct VAT incurred on the construction and development costs to the extent that it qualifies as “input tax” as defined, and subject to sections 16, 17 and 20.
- (c) The lease payments in respect of the supply of said accommodation will be subject to VAT at the standard rate under section 7(1)(a). To the extent that the Applicant charges a consideration for supplying entertainment that covers all the direct and indirect costs of providing such entertainment or is equal to the open market value of the entertainment, the Applicant may deduct the input tax on such entertainment expenses.
- (d) The consideration in money for an all-inclusive charge of the supply of the accommodation together with the domestic goods and services for an unbroken period exceeding 28 days, is, under section 10(10), deemed to be 60 per cent of an all-inclusive charge. To the extent that the Applicant supplies “domestic goods and services” as defined in section 1(1) and other goods and services if the consideration for those services does not form part of the all-inclusive charge, the provisions of section 10(10) will not apply.

7. Period for which this ruling is valid

This VAT ruling applies only in respect of the transactions set out above and is –

- effective from date of issue;
- valid for a period of 3 years from the date of issue; and
- applicable to the supply of accommodation referred to in 1.

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