

VAT RULING: VR 020

DATE: 28 April 2026

ACT : VALUE-ADDED TAX ACT, 1991 (the VAT Act)
SECTION : SECTIONS 1(1), 7(1)(a), 9(1), 21(1)(a) AND 41B
SUBJECT : CONSIDERATION

Preamble

This VAT ruling is published with the consent of the Applicant(s) to which it has been issued and is binding only upon 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

This ruling addresses the VAT treatment of deposits paid by guests and subsequently forfeited upon cancellation of a booking.

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): Consideration
- Section 21(1)(a)
- Section 7(1)(a)
- Section 9(1)

3. Parties to the application

The Applicant is a private company incorporated in and a resident of the Republic, operating in the Tourism and Hospitality sector.

4. Background and facts

The Applicant is a game reserve and offers an extensive range of services, including accommodation. As per the reservation terms and conditions, a percentage-based, non-refundable deposit is payable within 10 days of a reservation confirmation.

Cancellation or part cancellation of a confirmed reservation will result in the forfeiture of the specific percentage of the deposit.

A number of deposits have been forfeited in previous periods, and output tax has always been declared and paid on the forfeited deposits by the Applicant.

When a guest makes a booking, the Applicant provides a reservation summary specifying that a deposit must be paid within 10 days, with the remaining balance due within a specified number of days before arrival. The summary explains that cancelling or partially cancelling a reservation results in forfeiting the deposit and cancellations made within specified days of arrival incur a cancellation fee. The deposit secures the booking and compensates the Applicant for potential losses if the reservation is cancelled and the room cannot be re-sold.

After a guest pays the deposit, it is set off against the total payment for the booking.

In the event that the space is re-sold after a cancellation, the deposit may be refunded. Alternatively, at the Applicant's discretion, the deposit can be applied to a future booking if the guest rebooks. Deposits are recorded as liabilities in the Balance Sheet or the Statement of Financial Position until the deposit is applied towards the accommodation supplied by the Applicant. The total value of deposits held are included in the taxable income of the Applicant in full. At the point of travel, the deposit is settled against the accommodation invoice. If the guest does not travel to the Applicant, a cancellation fee applies.

6. Ruling

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

- a) The deposit paid by the guest constitutes consideration as defined in section 1(1), for the supply of accommodation provided by the Applicant to the guest. As a result, the Applicant must account for and declare output tax in the tax period during which the deposit is set off as payment against the total payment required for the booking, in accordance with section 7(1)(a) and section 9(1).
- b) The cancellation or part cancellation of the confirmed reservation by the guest that results in the forfeited deposit or amount paid, does not constitute a cancellation as envisaged in section 21(1)(a), since the supply of accommodation is still provided to the guest irrespective of whether the guest utilises it.

7. Period for which this ruling is valid

This VAT ruling applies only in respect of the transaction(s) set out above and is effective from 01 December 2023.