

VAT RULING: VR xxx [or VAT CLASS RULING: VCR: XXX]

DATE: xxx

ACT : VALUE-ADDED TAX ACT 89 OF 1991 (the VAT Act)

SECTION : SECTIONS 17(1) AND 41B

SUBJECT : APPORTIONMENT

Include a very concise statement here which can serve as a topic heading. The word “Apportionment” as in the above example may be sufficient but where more words are required, limit the subject heading to 80 characters.)

*Preamble*

Use the exact wording as above for this part, modified only based on whether it is a class or private ruling.

This VAT [ruling/class 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. It does not constitute a practice generally prevailing.

1. Summary

This part should explain very briefly in a few sentences and on a high level, what this ruling is about as indicated in the subject heading.

This ruling approves the method of apportionment being the [insert name of the method] which is applied to a vendor in the [insert industry].

2. Relevant tax laws

Use the exact wording as below, followed by a list of the relevant provisions which apply as set out in the example below.

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

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

* Section 1(1) – definition of “input tax”;
* Section 16; and
* Section 17(1).

3. Parties to the application

Under section 87(1) of the Tax Administration Act 28 of 2011, SARS must publish binding rulings for informational purposes to the general public in order to ensure a level playing field for all taxpayers. The ruling must be published in a form that does not reveal the identity of the Applicant or other parties to the transaction (confidential information). Therefore, exclude any confidential information from parts 3 and 4 of this template which may reveal the identity of the Applicant(s).

The relevant industry is required for internal purposes but will not be published if it reveals the identities of the parties.

Set out the information as per the example below to describe the Applicant(s) and mention the relevant industry concerned.

The Applicant: e.g. A listed company incorporated in and a resident of the Republic.

In the case of a class, a description of the class. e.g. a group of companies incorporated and resident in the Republic, members of an association etc.

4. Description of the transactions

Use the wording and format below which should include a full description and list of the activities conducted by the Applicant, clearly specifying whether the activity concerned is taxable (standard rated or zero -rated), exempt or out-of-scope. This should be followed by a list of the type of income streams (e.g. sales, dividends, interest, services fees, etc.).

The background should provide sufficient contextual and factual information in a summarised form so that the reader can understand why there is a need for an alternative method of apportionment, as well as describe the elements in the proposed method.

For example, include –

* the **pertinent facts** of the matter to allow the reader to understand the circumstances of the vendor(s) and the transaction(s) or income streams concerned;
* the **necessary context**. You do not need to mention specifics likes dates, places, descriptive details, amounts, etc. except where necessary insofar as it relates to the description of the income streams and their taxable or non-taxable characterisation.
* the **industry** of the vendor/class should be mentioned.

As per paragraph 3 above, do not include any confidential information in Part 4 of this template which may reveal the identity of the Applicant(s).

Set the activities and details of the income streams out as below.

Note that the layout for the formula is based on known methods, but if the proposed method deviates substantially from the layout and format below, then you will need to describe the elements in the formula. E.g. if it is a transaction-count method, then you need to allocate “a”, “b”, “c”, etc. to the elements representing the transactions or other things that are counted and the tax allocation (VAT treatment) of those things. Where necessary, indicate how those things are counted and how the values or outcomes of the individual elements are determined. Any specific inclusions or exclusions should also be clearly explained.

Applicant is a company that conducts the following activities:

* xxx
* xxx

and trades in the [insert industry].

The following income streams are received:

* xxx;
* xxx.

The Commissioner for SARS (the Commissioner) is requested to issue a ruling under section 41B, read with section 17(1), confirming that the vendor/Class may apply the [insert name of the method]:

|  |  |  |  |
| --- | --- | --- | --- |
| y = | a | X | 100 |
| (a + b + c) | 1 |

where –

|  |  |
| --- | --- |
| y = | Apportionment ratio/percentage; |
| a = | xxx [describe the element and include the VAT treatment] –  including –   * xxx;   excluding –   * xxx |
| b = | xxx [describe the element and include the VAT treatment] –  including –   * xxx;   excluding –   * xxx; and |
| c = | xxx [describe the element and include the VAT treatment ]–  including –   * xxx;   excluding –   * xxx |

with effect from the commencement of the xxx financial year.

5. Conditions and assumptions

Use the below statement if there are no additional conditions and assumptions. If there are any additional conditions or assumptions, then you can say *“The following additional conditions/assumptions apply:”* and then list them. You may have to include additional conditions or assumptions, for example, when the VAT treatment of a particular income stream is unclear or does not form part of the decision/ruling.

This VAT [ruling/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 (the TA Act), excluding sections 79(4)(*f*), (*k*), (6) and 81(1)(*b*).

6. Ruling

Set the ruling out as per the items on which you have requested confirmation in the background and facts in the format indicated below.

The 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[[1]](#footnote-1), apply the [insert name of the method] of apportionment as set out below:

|  |  |  |  |
| --- | --- | --- | --- |
| y = | a | X | 100 |
| (a + b + c) | 1 |

where –

|  |  |
| --- | --- |
| y = | Apportionment ratio/percentage; |
| a = | xxx [describe the element and include the VAT treatment] –  including –   * xxx;   excluding –   * xxx |
| b = | xxx [describe the element and include the VAT treatment] –  including –   * xxx;   excluding –   * xxx; and |
| c = | xxx [describe the element and include the VAT treatment] –  including –   * xxx;   excluding –   * xxx. |

7. Period for which this ruling is valid

Use the wording and format indicated below.

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

7.1 valid from date of issue;

7.2 applicable to tax periods commencing on or after xxx; and

7.3 valid until xxx.

Generally, rulings are issued for a period of three years.

Leveraged Legal Products

SOUTH AFRICAN REVENUE SERVICE

1. Refers to expenses incurred partly for making taxable supplies and partly for other non-taxable purposes (for example, exempt supplies or private use). [↑](#footnote-ref-1)