

VAT News 9 - February 1997

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PAYMENT BY ELECTRONIC TRANSFER

Instead of paying VAT due to the Receiver by cheque or in cash, you can make payment by electronic transfer. The advantage of an electronic transfer is that your bank account is debited only on the last business day of the month, while you otherwise have to make payment on or before the 25th business day. Besides the cash flow advantage it is a much more convenient and safer method of payment. This does, however, not imply that your VAT return may also be submitted on the last business day – the return should still be submitted on or before the 25th day of the month in order to process the electronic transfer timeously.

A form VAT 201A must be completed and handed in at your local Receiver. This form authorises the Receiver to automatically withdraw the amount due on your return from your account. The form must be stamped by your bank to confirm the banking particulars.

For obvious reasons the banking details in Inland Revenue's records must always be up to date, as incorrect information will lead to non-payment which could result in penalties and interest.

VAT AND PAYE FORMS

You have already received forms VAT IIIA and IRP IIIA requesting certain particulars needed to update the Receiver's records for VAT and PAYE purposes.

The information is necessary for the integration of the VAT and PAYE systems which will facilitate the annual updating of all registered particulars. Your co-operation in this regard is appreciated.

CHANGE IN USE OF GOODS OR SERVICES

When you acquire goods or services for making taxable supplies or to use in your enterprise, you may (except in certain circumstances) deduct the VAT as input tax. Remember, however, to account for output tax if you later use the goods or services for private or other non-taxable purposes.

If you have, for example, a hardware store and take some paint from the stock to paint your house, you must include the open market value (i.e. your normal selling price) of the paint in block 10 of your VAT return.

VAT REGISTRATION NUMBER OF PARTNERSHIPS

A partnership is, in terms of normal legal principles, dissolved every time a new partner joins the partnership or a partner resigns, to eliminate practical problems regarding, for example, registration for VAT, the old and new partnerships are regarded as one and the same for VAT purposes. If the old partnership was registered for VAT, the new partnership will have the same registration number as the old partnership. The Receiver must, however, be notified, of the change of partners within 21 days.

Where a partnership is dissolved and one of the former partners carries on the same enterprise, he will have to apply for registration as a sole proprietor for VAT purposes and a new registration number will be allocated, unless he is directly registered in such case the partnership will supply the enterprise to the sole trader.

AUCTIONEERS

Where goods are sold at an auction, the auctioneer normally acts as agent of the seller (the principle). Where the sale of the goods is not taxable, e.g. as the seller is not a vendor, the auctioneer may agree with the seller that the sale is taxable to prevent practical and administrative problems in distinguishing between taxable and non-taxable sales. The auctioneer must account for the output tax on such sales in his own VAT return.

If the seller is a vendor, the seller (and not the auctioneer) must account for the output tax in his VAT return. This also applies to auction sales of estate assets by liquidators or executors where the estate is a vendor.

PURCHASE PRICE OF FIXED PROPERTY

When contracting for the sale of fixed property vendors and their advisors tend to forget to provide for VAT. Contracts often merely have a standard clause to the effect that the purchaser must pay the transfer duty. This normally results in disputes on whether the price includes VAT or not when the parties realise that the sale is a taxable supply subject to VAT and not transfer duty.

As the price is, for VAT purposes, deemed to include VAT, the seller may have to account for VAT which he has not received, while the purchaser could benefit by claiming an input tax deduction, even though he actually paid no VAT.

This problem occurred in the recent case of "*Strydom versus Duvenhage*" in which the contract provided that the purchaser must pay transfer duty. The Court held that a tacit term must be read into the contract to the effect that if transfer duty is not payable but VAT is, the *purchaser* shall pay the VAT in addition to the purchase price.

It should be borne in mind that although the Court came to the seller's assistance, it was as a result of specific circumstances. It is advisable and far less costly to specifically provide, for example, that if VAT is payable, it will be payable by the purchaser in addition to the agreed purchase price.

Similarly, in the case of the sale of an enterprise as a going concern, a clause could be added specifying what the VAT consequences would be if it is later found that the sale is not zero-rated.

REFUNDS TO TOURISTS

It seems that some vendors selling to foreign tourists are still unaware of the Export Incentive Scheme. This Scheme regulates VAT refunds to tourists exporting goods purchased in South Africa.

The following should be noted:

- Almost all of these sales should be at the standard rate, while a refund can be claimed by the tourist on departure.
- Special rules apply to buyers from BLNS countries.
- The refund in respect of second-hand goods (including motor cars) is restricted if the provisions as set out in [VATNEWS No. 3](#) are not observed.

See VATNEWS Nos [3](#), [4](#) and [5](#) for more detail.