

VAT News 15 - August 2000

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TAX INVOICES

South Africa operates a VAT system where you subtract the VAT charged to you from the VAT you charge your customers in order to calculate the VAT payable to the Receiver of Revenue.

The most important document- in such a-system is the tax invoice. Without a proper tax invoice you cannot deduct input tax on purchases - and any of your clients who are vendors or foreign purchasers cannot claim back the VAT you charged them.

The full requirements of a valid tax invoice are dealt with on page 29 of the April 2000 Edition of the VAT 404 Guide for Vendors and Vat news 14. The following are, however, the most common errors:

- The name and address of the purchaser are omitted from tax invoices over R500.
- The words "VAT invoice" or only "invoice" appear there on instead of "tax invoice".
- The amount of VAT charged is not shown separately, or it is not stated that VAT is included in the price and that VAT has been charged at 14% or 0%.
- The trading name and address of the business and it's VAT registration number are not stated.

The Receiver of Revenue must have all of the trading names under which your business operates on their records - if not, input tax or VAT refunds will not be given to your customers. For example: if the company Siberian Tigers (Pty) Ltd" has two branches, Tiger Feet and 'Siberian Gems, the Receiver of Revenue must have the company's legal name and its two trading names on its records. Please contact your Receiver of Revenue if they do not have the correct details.

The words "tax invoice" must appear prominently and it will make it easier for your clients to claim VAT back if you group the words "tax invoice", the VAT registration number and the date of issue together.

TAX INVOICE

VAT REG 400000000

DATE 01/0912000

Please keep this in mind next time you have tax invoices printed.

CHANGE OF PARTICULARS

Please remember to notify your Receiver of Revenue of any changes of your registered particulars. This includes telephone numbers and street and postal addresses

SALES TO FOREIGNERS

If you sell goods to a foreign qualifying purchaser who takes delivery of the goods in South Africa, VAT at the 14% standard rate must be charged. He can apply for a VAT refund only at the time he exports the goods through a designated commercial port. He must have the goods and a valid tax invoice available for inspection by South African Customs Officials and/or the VAT Refund Administrator. He must export the goods within 90 days of the date of invoice. The refund is subject to a commission of 1.5% of the VAT-inclusive price, with a minimum of R10 and a maximum of R250 per claim (i.e. total of goods exported at a time). The VAT Refund Administrator keeps all original documents. Remember to inform your customers to make copies if they need them for their records.

More information with regard to export sales is given Chapter 10 of the Guide for Vendor s.

IMPORTED GOODS

If you import goods for your business, you can claim an input tax deduction on the strength of the bill of entry with proof that the VAT on the particular import has already been paid to the RSA Customs and Excise. This proof can be in the form of a receipt issued by the relevant Customs office or a statement from your clearing agent that he has paid the VAT on your behalf.

10-DAY RULE

The VAT Act allows for vendors to close off their tax period 10 days before or after the last day of the month. As from the November 2000 tax period, vendors who wish to close off on a date other than the last day of the month may apply to their Receiver of Revenue for another date. This date cannot be changed without prior approval from the Receiver of Revenue.

APPORTIONMENT

A vendor who makes both taxable and exempt supplies may only claim input tax in respect of his taxable supplies. VAT on goods purchased for both purposes must be apportioned according to an approved apportionment method.

As from the November 2000 tax period, the only method of apportionment that can be used without prior approval from SARS will be the turn over based method. However, where this method or any other method does not give a fair result in your circumstances, you must contact your Receiver of Revenue for an alternative method to be approved. This is most important, as assessments could be raised if you receive undue benefits by applying an incorrect method. If you already have an alternative method approved in writing by your Receiver of Revenue, it is not necessary to obtain re-approval.

SALE OF ENTERPRISES AS GOING CONCERNS

In order for a sale of a going concern to qualify for the zero-rating of VAT, the following requirements have to be met:

- Both parties must be VAT vendors.
- The business must be an income-earning activity at the time of sale.
- The whole business or a part of it which is capable of separate operation must be disposed of.
- Both parties must agree in writing that the enterprise is sold as a going concern and that the zero rate of VAT will be applied.

A concession was introduced in November 1994 as a transitional measure whereby the parties concerned were allowed to enter into a separate contract in cases where a written agreement was not in place.

Several abuses have taken place where vendors have manipulated this concession to obtain undue VAT benefits. For this reason, it has become necessary for SARS to withdraw this concession of a separate contract. As from the November 2000 tax period, where new contracts are entered into and any of the requirements for the zero-rating of the sale of a going concern are not met, the supply of the enterprise will be subject to VAT at the 14% standard rate.

MOTOR DEALERS

Where a motor dealer purchases (or trades in) a vehicle from a non-vendor, or from a VAT vendor who was not entitled to an input tax deduction when he acquired the vehicle (for example, a motor car), he may not claim a notional input tax deduction unless he has obtained the following:

- A full description of the vehicle.
- The name and address of the seller.
- A statement from the seller stating that the supply is not a taxable supply.
- A copy of the seller's identity document, or if the seller is not a natural person, a copy of its representative's identity document and a copy of the business letterhead or certificate showing its company, close corporation or trust registration number.

Where a vendor sells or trades in any vehicle on which an input tax deduction is claimable (for example, a delivery truck), he must levy VAT on the sale of that vehicle and issue a tax invoice to the dealer or purchaser. The dealer may not issue a tax invoice on behalf of the seller and may not claim an input tax deduction without a valid tax invoice. VAT auditors will raise additional assessments where these requirements have not been complied with.

SALE OF SCRAP, OFF CUTS AND BY-PRODUCTS

Vendors are reminded that when any scrap, off cut, by-product, empty drum, pallet, container, etc., is sold, VAT must be levied at the standard rate. There are many cases where such items are sold and not declared. For example, in the timber plantation industry where maintenance of the forests requires thinning or civic culture and the off cuts are sold as pulp wood, firewood, droppers, charcoal, etc., VAT must be charged to the purchaser. In an engineering industry, metal scrap generated in the workshop and sold is also subject to VAT.

PRICES DISPLAYED, ADVERTISED OR QUOTED

An increasing number of advertisements placed show prices that do not include VAT. When you place an advertisement, it is your responsibility and not that of the publisher to ensure that the prices advertised include VAT. It is acceptable to show the price excluding VAT, the amount of VAT and the price including VAT as long as each is displayed with equal prominence. The same principle applies when marking goods for display or issuing quotes. If you do not follow this rule and there is a dispute, the price that is indicated will be taken as including VAT and you could suffer financial loss.

VAT RETURNS AND PAYMENTS

Failure to submit VAT returns and to pay the VAT due is a criminal offence. If you are for any reason unable to submit your return or to pay the VAT due, you must make satisfactory arrangements with your Receiver of Revenue before the due date.

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