

VAT News 17 - August 2001

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E-FILING

You can now file VAT returns and payments electronically through the following Service Providers:

- [Dimension data](#)
- [Pillar](#)
- [My tax](#)
- [Paybills](#)
- [Taxbreak](#)

The Service Providers have the necessary infrastructure to provide electronic submission services. They charge a fee for this service.

To file and pay electronically, you must register with the service provider of your choice. You conclude an agreement and receive a private access code and password. The service provider will forward the necessary details to SARS. When the returns are issued, SARS will notify the service provider, who in turn will notify you, either by SMS or e-mail, that returns are due. You utilise your access code and password to access the return and complete it on the WEB. Once this is done, the details on the return are validated and calculations checked. To encourage you to use this method you are allowed to submit your VAT return and payment electronically up to and including the last business day of the month during which it is due, without incurring interest and penalties.

Your information is encrypted from the moment you access the Service Provider's website until it is submitted to SARS. Secure sockets layer (also known as SSL) protocol enhances the privacy of the information passing between your browser and the service provider's Web servers. This means that only SARS will be able to see your return information.

All Service Providers will run a 24 hour help desk to answer any queries or assist with any problems you may have. Further information on e-filing may be obtained from the SARS website.

TRADING AND LEGAL NAMES

It is essential that the SARS have the correct trading names(s) and the legal name of your enterprise on its register. The names of all VAT registered vendors will shortly be available on the SARS website. Should the correct information for your enterprise not appear on the website, the tax invoices you issue to other vendors or tourists may be rejected.

Tax invoices issued to you must contain accurate details of the goods or services supplied to you and must be in the trading or legal name with the address of your enterprise. No input tax may be claimed on tax invoices not meeting requirements. See also pages 28 and 29 of the VAT Guide for Vendors.

If the SARS does not have the correct trading or legal name of your enterprise, please contact your Receiver of Revenue. Please note that input tax in respect of supplies made to any person who acts as your agent may be claimed only if your agent has supplied you with a statement detailing the supplies, the consideration and the VAT levied.

PETTY CASH EXPENSES

Vendors are not obliged to obtain tax invoices for purchases not exceeding R20. Such purchases are usually petty cash expenses such as postage stamps, stationery, parking, etc. Input tax may be claimed on such expenses only where the purchase was made from a VAT vendor, a cash slip is obtained and details of the purchase is kept in a petty cash book or similar record.

Remember – VAT on items such as tea, coffee, milk, sugar, snacks and cooldrinks can not be claimed. As a general rule, input tax on expenses relating to entertainment is specifically denied (see pages 27 and 28 of the VAT Guide for Vendors).

VAT ON LONG TERM ACCOMMODATION IN HOTELS, BOARDING HOUSES, RETIREMENT HOMES AND SIMILAR ESTABLISHMENTS

The special provisions contained in the VAT Act relating to the calculation of VAT by hotels, residential hotels and similar establishments will change from 1 October 2001.

Where a person stays for longer than 28 days in any hotel, guesthouse, inn, boarding house, retirement home, or similar establishment, only 60% of an all inclusive charge for accommodation and domestic goods or services will be subject to VAT. Domestic goods and services includes meals, furniture, fittings, telephone, television, radio, cleaning, maintenance, electricity, gas, air conditioning and heating, where included as part of the accommodation supplied.

Any domestic goods and services, or other goods and services charged or supplied separately, i.e. where they are not included in the tariff, will attract VAT at 14%.

VAT will be calculated on the full tariff only if the person stays for 28 days or less – see example 1. However, where a person books in for a continuous unbroken period of longer than 28 days, VAT is charged on 60% of the bill from the first day – see example 2.

Example 1:

Mr Ramphal moves in to a retirement home on 1 October 2001 as his new permanent residence. The monthly charge is R4000 (before VAT is calculated) which includes all meals. The home charges R100 per month extra for birthday teas. Mr Ramphal's monthly account is as follows:

Accommodation for 1 – 31 October:	R4000
R4000 x 60% = R2 400	336
VAT @ 14% on R2 400	100
Teas	14
VAT @ 14% on additional charge of R100	<u>R4 450</u>
Total payable (including VAT)	

Should Mr Ramphal pass away during the first month of his stay, the account may still be calculated at 60% from the first day.

Example 2:

Mr Makgoba makes a reservation at Karl's Boarding House for 34 days. At the end of his stay, his account is as follows:

Accommodation (including dinner and breakfast) 35 days @ R400 per day	R14 000
	<u>1 176</u>
VAT: R14 000 x 60% = R8 400 x 14%	<u>R15 176</u>
Total payable (including VAT)	

Remember: VAT will be leviable at 14% on the whole amount of any extra charges, e.g. his bar account.

If you have a monthly tax period, or a tax period ending November 2001 (i.e. October and November 2001) you can simply follow the new formula (Blocks 5, 6, 8 and 9 of the VAT 201 return).

If your tax period is for September and October 2001, use the existing method for September 2001 and the new method for October 2001. Insert the meals portion for September in block 7 and the accommodation portion for September and the full charge for October 2001 in block 5 – see example 3.

Example 3:

The Champagne Hotel is registered for VAT according to category B. The following is available for the October 2001 tax period: (meals are included in the tariff)

September 2001

Accommodation longer than 45 days		R1 000.00
Meals	20% of R1 000 = R200 x 14%	28.00
Accommodation	(R1 000 – R200) R800 x 60% = R480 x 14%	67.20

October 2001 R1 000.00

Accommodation longer than 28 days	R1 000 x 60% x 14%	84.00
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The vendor will show R28.00 at block 7 and R151.20 (that is R67.20 + R 84.00) at block 5 on the VAT 201 return.

DIESEL REFUNDS

SARS introduced the Diesel Refund System on 4 July 2001 whereby a refund on the fuel and/or road accident levies paid on diesel by certain qualifying industries is provided for. These industries are:

- Farming Commercial fishing
- Mining Offshore mining
- Forestry NSRI
- Coastal shipping Rail

The concession is as follows:

On land (farming, forestry and mining)	42.1 cents per litre on 80% of purchases
Offshore (commercial fishing, coastal shipping, offshore mining and NSRI)	97.5 cents per litre on 100% of purchases
Rail (rail freight hauliers)	16.5 cents per litre on 100% of purchases

If you are eligible to make such claims, you must complete a registration form (VAT101D) at your local Receiver of Revenue or register on-line at [the SARS website](#). You will receive a VAT 103 notice to confirm your diesel registration. SARS will provide you with a special VAT 201 return, which provides space for claiming your refund. Remember – diesel refunds can be claimed only if you obtain and retain valid tax invoices. Cash slips are not acceptable.

More information, as well as a guide may be obtained from the SARS Website.

TRANSFER PAYMENTS

Uncertainty exists as to whether payments made to vendors by Government departments should be accounted for at the 14% or at the zero rate. Where a Government or provincial department makes a payment to a vendor and will not receive any goods or services in return, such a payment is known as a transfer payment.

The term "transfer payment" refers to amounts which a department has budgeted for, and pays over to other institutions or persons. The relevant department may not, however, receive any goods or services in return for these payments. Transfer payments to vendors qualify for the zero-rating when the vendor supplies goods or services to some other person with funds received from the State.

Example:

The Department of Housing enters into a contract with Rakau Construction for the erection of 200 low cost houses which are handed over to underprivileged persons. The payment received by Rakau Construction will be subject to VAT at the zero rate.

Where a vendor receives payment in respect of goods or services supplied directly to the State or provincial department, VAT must be accounted for by the vendor at the standard rate. Only the State or provincial authorities can make transfer payments. If any other person or a local authority (municipality) makes payments, the zero rate can not be applied.

Example:

The Department of Housing enters into a contract with the local municipality for the erection of low cost houses. The payment to the municipality will be zero-rated. If the municipality appoints a contractor to build the houses, the payment by the municipality to the contractor is subject to VAT at the standard rate.

CHANGE OF TAX PERIOD CATEGORY

Where you request a change to the category e.g. from two monthly to monthly, such change can be effected only from a future date and can not be backdated.

INCOMPLETE AND UNSIGNED VAT RETURNS

Many incomplete or unsigned VAT and PAYE returns are received by SARS. As the returns are legally binding declarations unsigned or incomplete returns cannot be accepted and have to be sent back to vendors and employers. This could result in penalties being raised. Please check and sign your returns before sending them to SARS.

CHANGES TO TELEPHONE NUMBERS

Please note the following changes in telephone numbers in the Guide for Vendors issued to you last year:

Receiver of Revenue Germiston: (011) 876 3000

Receiver of Revenue Johannesburg (VAT Section) (011) 241 6000

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