

VAT News 18 - November 2001

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This issue of VATNEWS is to inform you of some important banking changes and amendments to the VAT Act which, unless otherwise indicated, come into effect during December 2001.

EFT / E-FILING / DEBIT ORDERS / BANK PAYMENTS

The banks and the Payments Association of SA (PASA) have recently announced that, as from 2 January 2002 they will set payment limits on cheques, debit orders, ATM transactions and electronic payments.

The limits are as follows:

- A debit order - R500 000
- Credit payments through EFT (electronic funds transfer) - R5 million
- A cheque - R5 million

These measures are aimed at moving high-value payments to the South African Multiple Option Settlement (SAMOS) system operated through the SA Reserve Bank.

How these limits will effect you as a vendor:

1. Debit order arrangements – your existing arrangements will only be affected if a payment exceeds R500 000. Penalties and interest as a result of a late payment will then be incurred.
2. Cheque payments to SARS may not exceed R5 million. Should you issue a cheque exceeding this amount, it will be returned to you and penalties and interest as a result of a late payment will be incurred.
3. EFT payments in excess of R5 million must be cleared with your banker.
4. E-filing transactions will not be affected by these new rules as no limits are imposed thereon.

Should your existing payment method exceed any of these limits, you must approach your bank timeously in order to effect an electronic transfer of funds to ensure that the full VAT payment can be made by the due date.

Electronic Transfer payments (EFT):

Where you make an electronic transfer of funds to SARS, you must ensure that the payment will reach SARS by the due date shown on the VAT 201 return (usually the 25th of the month). Please enquire from your bank whether "same day" transfers are made to SARS. If not, you must make the transfer earlier. Electronic transfers received in SARS's banking account after the due date will incur penalties and interest as a result of late payment. Should you have any further enquiries relating to these limits, please contact your bank.

VAT refunds:

As from January 2002 SARS will not be able to pay VAT refunds where it is not in possession of your bank details. A cheque will not be issued in respect of any refund, and SARS will not pay interest on late refunds where you have not submitted your correct banking details. If SARS does not have your correct banking details, please furnish these as soon as possible. The details must be accompanied by either a cancelled cheque, or a letter from your bank which bears the bank stamp confirming your account details.

Should you wish to nominate or utilise a banking account which is not that of the vendor, you must furnish the necessary authority from the account holder (e.g. company resolution) and provide indemnity to SARS against possible losses of amounts paid into such accounts. Indemnity forms are available from SARS offices or its website www.sars.gov.za.

TAX INVOICES

In the past, a tax invoice was only required to be issued on request by the recipient (purchaser). A vendor could issue an abridged tax invoice for supplies of less than R500. This amount has been increased to R1 000. If the recipient did not request a tax invoice, it was not necessary to issue such tax invoice. As from December 2001, it will be compulsory to issue either an abridged or a full tax invoice for all supplies exceeding R10 000 whether or not the recipient has

requested one. It will, however, still be necessary to issue a full tax invoice for supplies exceeding R1 000 if the recipient has made such a request.

VATNEWS 15 provides full details of the requirements for a full tax invoice as well as the abridged version.

Where the consideration for the supply does not exceed R50, it is not a requirement that a tax invoice be issued. This amount was previously R20.

Tax invoices in respect of standard rate supplies that do not show the amount of VAT levied, or alternatively, do not contain a statement "14% VAT included" are invalid. It is an offence to claim input tax with a tax invoice that is not valid.

When making input tax deductions, you must ensure that tax invoices, debit or credit notes over R1 000 have been issued in the legal or trading name of your business. Should your agent incur expenses and hold tax invoices on your behalf, you must be in possession of a statement from your agent in respect of inputs claimed. Tax invoices over R1 000 must also contain a full and proper description (as well as the quantity or mass) of the goods or services supplied to you.

NEW FIRST SCHEDULE

Schedule 1 to the VAT Act, which deals with exemptions from VAT on the importation of certain goods, has been replaced with a new schedule. The notes to the various exemptions are important as they sometimes differ from the notes applicable to the equivalent Customs duty rebates.

EDUCATIONAL SERVICES

The VAT Act now provides for VAT exemption in respect of educational services provided by:

- All State schools, or schools registered under the South African Schools Act or Further Education and Training Act.
- Universities, technikons, colleges and other institutions providing higher education which are registered under the Higher Education Act.
- Institutions formed for:
 - Promoting adult basic education
 - Promoting education and training of religious or social workers
 - Educating and training persons with permanent physical or mental impairment
 - Training unemployed persons to enable them to obtain employment
 - Providing bridging courses to indigent persons to enable them to enter a higher education institution.

Institutions qualifying for VAT exemption must ensure that registration with their regulatory body has been done by 1 March 2002.

Crèches and after school centres were previously treated as educational institutions and thus exempt from VAT. These services are now specifically exempt. There are no registration requirements in this regard.

MISLEADING ADVERTISEMENTS

In advertisements, you must show the price inclusive of VAT, and also state that prices include VAT. Your advertisements may not state or imply that you will bear the VAT chargeable or give a discount or refund of VAT.