

South African Revenue Service

SMME – Value Added Tax: Detailed Completion of VAT 201



Thank you for walking this journey with us



Welcome to the SARS Tax Workshop

Purpose:

This presentation is merely to provide information in an easily understandable format and is intended to make the provisions of the legislation more accessible

Disclaimer:

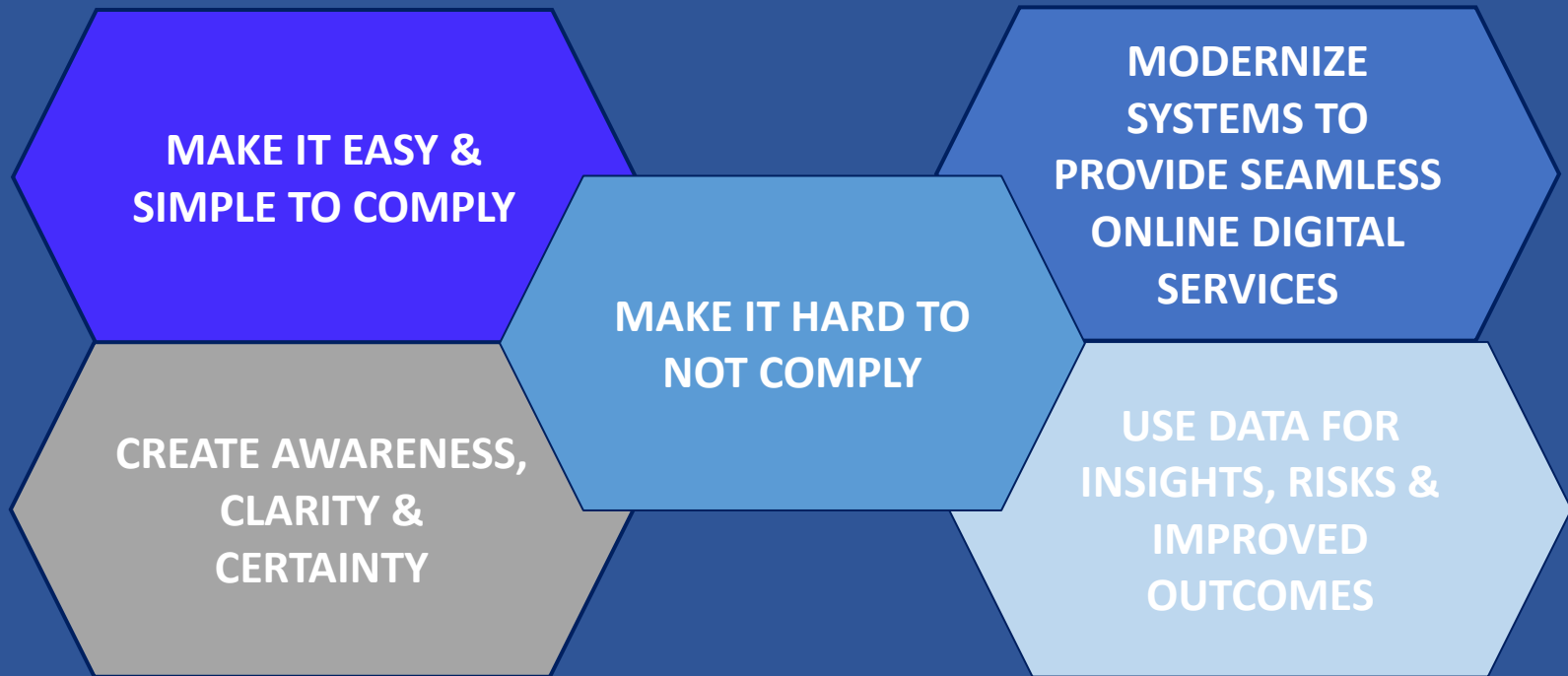
The information therefore has no binding legal effect and the relevant legislation must be consulted in the event of any doubt as to the meaning or application of any provision.



SARS Vision 2024

To build a smart modern SARS with unquestionable integrity, trusted and admired by Government, the public, as well as our international peers.

For the purpose of this presentation, we focus on 5 of our 9 Strategic Objectives:



Points to be discussed

Introduction

VAT Submission Categories

How to complete the VAT 201?

Which supplies/services are taxable?

What are the requirements of the Tax Invoice?

What is the output and input tax?

How do I calculate the interest and penalties?

How do I understand my statement of account?

Debt management

Audit Common Findings

Rights and Obligations

VAT201 Online Demo

Introduction

The South African Revenue Service (SARS) has been modernising and streamlining tax processes with international best practice. Improvements are being made continuously as we aim to better our service standards, increase efficiency and compliance.

On this presentation SARS wishes to address one of the compliance aspects which is the VAT201 Declaration and payment of VAT.

A VAT 201 Declaration is a form prescribed by SARS, where VAT vendors declare their Input and Output tax and OR Diesel where necessary.

In the 2018 Budget Speech, the Minister of Finance announced a VAT rate increase from **14% to 15%** effective **1 April 2018**.

VAT Submission Categories

VAT Submission Categories

CATEGORY A- Every 2 calendar months

Under this category, a vendor is required to submit one return for every two calendar months, ending on the last day of January, March, May, July, September and November.

- The Commissioner will determine whether a vendor falls within this category.

CATEGORY B- Every 2 calendar months

Under this category, a vendor is required to submit one return for every two calendar months, ending on the last day of February, April, June, August, October and December. The Commissioner will determine whether a vendor falls within this category.

VAT Submission Categories

CATEGORY C-

Every 1 calendar month

- Under this category, a vendor is required to submit one return for each calendar month.

A vendor will fall within this category if:

- the total value of taxable supplies made by the vendor has exceeded or is likely to exceed R30 million in any consecutive period of 12 months,
- the vendor has applied in writing to be placed in this category, or
- the Commissioner determined that the vendor falls within this category due to the vendor repeatedly failing to perform any obligations as required by the VAT Act.

VAT Submission Categories

CATEGORY D - Every 6 calendar months

- Under this category, a vendor submits one return for every six calendar months, ending on the last day of February and August (or any other month were written application is made to the Commissioner and approved)
- This category applies mainly to a vendor who companies with turnover of R0 to R1m (micro business) carries on farming activities, where the total value of taxable supplies is less than R1.5 million for a period of 12 months,
- - micro business that is registered in terms of the Sixth Schedule to the Income Tax Act.

VAT Submission Categories

CATEGORY E -

Every 12 calendar months

Under this category, a vendor is required to submit one return for every twelve months, ending on the last day of the vendor's year of assessment (or any other month were written application is made to the Commissioner and approved).

This category applies to a vendor:

- that is a company or a trust fund
- that carries on activities of letting of fixed property or renting of movable goods or the administration or management of companies which are connected persons to the vendor
- additional criteria, to fall within the ambit of this category, are set out in Chapter 3 of the VAT 404 guide.

How to complete the VAT 201?

VAT 201 Completion

A VAT 201 can be requested and completed through the following channels:

- SARS eFiling (VAT201 tax type must be successfully activated and the necessary rights established)
- SARS Branch(**only on appointment**)

Note: Copies of the VAT201 Declarations printed from eFiling and used for manual filing will not be accepted and will not be processed by SARS. Photocopies will also not be accepted.

(VAT201) Vendor declaration

If the VAT 201 tax type has been successfully activated in eFiling, the vendor will be able to:

Request a VAT201 Declaration for the current tax period and the tax period following current tax period.

Request and submit a VAT201 Declaration for a past tax period.

(VAT 201) Vendor declaration

When requested on eFiling, the vendor declaration will be displayed for completion. Container headings displayed in red contain mandatory information to be completed. This includes Vendor Demographic information.

The screenshot shows the SARS Vendor Declaration form interface. At the top, there are navigation buttons: 'Back', 'Save', 'Submit VAT201', and 'Print'. A page number '100' is visible in the top right corner. The SARS logo and 'South African Revenue Service' are on the left, and 'Vendor Declaration' is in the center, with 'VAT201' in a box on the right. The form consists of several sections, each with a dropdown arrow on the right:

- Diesel
- Vendor Details
- Contact Details (highlighted in red, indicating mandatory information)
- Voluntary Disclosure Programme (highlighted in red, indicating mandatory information)
- Tax Practitioner Details (if applicable)
- A. Calculation of Output Tax and Imported Services
- B. Calculation of Input Tax
- C. Calculation of Diesel Refund in terms of the Customs and Excise Act

(VAT 201) Vendor declaration

VAT 201 Fields (financial particulars)

- **Field 1A** - Standard rate (only capital goods and/or services)
- **Field 2A** - Zero rate (only exported goods)
- **Field 3** - Exempt and non-supplies
- **Field 5** - Supply of accommodation
- **Field 7** - The VAT exclusive amount of accommodation supplied not exceeding 28 days.
- **Field 10** - Change in use and export of second-hand goods
- **Field 11** - automatically calculated on the VAT201 declaration but will be editable if the vendor disagrees with the automatic calculations

(VAT 201) Vendor declaration

VAT 201 Fields (financial particulars)

- **Field 12** – Other and imported services
- **Field 13** - Total Output Tax
- **Field 14** - Capital goods and/or services supplied to you
- **Field 14A** - Capital goods imported by you
- **Field 15** - Other goods and/or services supplied to you (not capital goods)
- **Field 15A** - Other goods imported by you (not capital goods)
- **Field 16** – Change in use
- **Field 17** – Bad debts
- **Field 18** – Other

Diesel

The selection of Diesel rebate type can be made if the vendor is registered for a Diesel refund.

On Land

The farming, forestry and mining industries will qualify for this refund.

Offshore

Commercial fishing, coastal shipping, offshore mining and the National Sea Rescue Institute will qualify for this refund.

Rail and Harbour Services

Rail freight hauliers and specific harbour service operators will qualify for this refund.

Power Peak Plant

If a vendor is not registered for the “Peak Power Plant” concession, the vendor will not be able to select this option. Peak power plant will qualify for this refund

Taxable Supplies/ Services

Taxable supplies

Supply

- broadly defined to include performance into sale, rental agreement, ICA, or barter.
- **Includes** voluntarily supplies and supplies taking place by operation of law. (e.g. forced sales, expropriation etc.).
- **Includes** “deemed supplies e.g.
 - indemnity payment under a contract of insurance

Taxable supplies

Taxable supply

- supplies of goods or services made by a vendor in the course or furtherance of an “enterprise”
- Section 7(1)(a) – 15%
- Section 11- VAT levied at the zero rate (0%)
- Deemed supplies – s8
- VAT incurred may be claimed as input tax if directly attributable to making taxable supplies.

Taxable supplies/ Services

Taxable supplies also include goods and/or services supplied by you at zero rate. Zero rated supplies are taxable supplies, taxed at a rate of 0%.

Examples of zero-rated supplies are:

- Brown bread;
- Eggs laid by chickens;
- Fresh/frozen fruit and vegetables;
- Maize meal;
- Milk, cultured milk, milk powder and dairy powder blend;
- Vegetable oil excluding olive oil;
- Fuel levy goods (e.g. petrol and diesel);

Requirements of a valid Tax Invoice

Tax Invoice

The following information must be reflected on a tax invoice for it to be considered valid:

Contains the words “Tax Invoice”, “VAT Invoice” or “Invoice”

Name, address and VAT registration number of the supplier

Name, address and where the recipient is a vendor, the recipient’s VAT registration number

Serial number and date of issue of invoice

Accurate description of goods and /or services (indicating where applicable that the goods are second hand goods)

Quantity or volume of goods or services supplied

Value of the supply, the amount of tax charged and the consideration of the supply (value and the tax)

Tax Invoice

Scenario 1:

Business A does not register for VAT because they are below the threshold. **Business A** cannot charge VAT because they are not meeting the requirements under section 23 of the VAT Act.

What does the law say when it comes to the issuance of invoices for Business A?

Solution:

The VAT Act would not be applicable to a non-vendor and therefore if Business A is not a vendor not need to issue a valid Tax invoice, VAT Invoice as defined in the VAT Act.

Tax Invoice

Scenario 2:

What happens when Business A receives a VAT invoice ?

- only a registered vendor can deduct input tax upon receipt of a valid Tax/VAT invoice, should all the requirements be met.
- Furthermore the expense to which the invoice relates should also be incurred in the course and furtherance of making taxable supplies.

Tax Invoice

Scenario 3:

What happens if they would like to register for VAT?

- if they are carry on as "enterprise" as defined in the VAT Act and exceed the VAT registration threshold of R1 million pa.
- Alternatively, they can register voluntarily if consideration for their taxable supplies exceeds R50 000pa.

Output and Input Tax

Output and Input Tax

Output Tax

For all standard rated supplies where VAT at **15%** has been levied, vendors will use the fields that are normally used to declare the output tax.

Output and Input Tax

Input Tax

For all acquisitions of goods and services charged with VAT at a rate of **15%**, vendors must use **Fields 14 and 15** on the VAT 201 (as applicable) to deduct the input tax.

For all acquisitions of goods and services where VAT rate of 14% is applicable, vendors are requested to use **Field 18** –“Other” of the VAT201, to deduct the input tax; and

For all imports, irrespective of whether the VAT was charged at 14% or 15%, vendors are requested to use **Field 14A and 15A** of the VAT201 to deduct the input tax.

Output and Input Tax

Input Tax

Deduct “*input tax*” on goods/services purchased or imported if:

- Incurred wholly for taxable purposes
- Incurred partly for taxable purposes (apportionment)
- Recipient in possession of tax invoices or other relevant documentation
- Limited to 5 years
- Second-hand goods

Calculating Interest and Penalties

Interest and Penalties

When a vendor fails to pay VAT within the period allowed for payment, a **10 %** penalty is imposed.



When a payment is received after the due date has passed (**10%** of the tax liability amount for the relevant tax period), including returns submitted and where no payment is made.

Interest

VAT Statement of Account

VAT statement of account

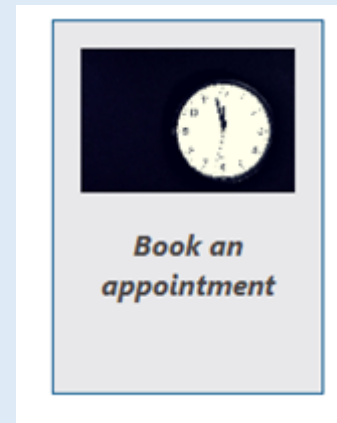
A VAT statement of account can be requested through the following channels:

- **SARS eFiling**

- Go to “SARS Correspondence” > “Request VAT notices” >.
- The statement period is user-defined.

- **SARS Branch via an Appointment**

An appointment must be made on SARS website



VAT statement of account

The VAT statement of account reflects your consolidated VAT and Diesel liability/refund for the tax period(s) the Vendor has requested

The Vendor has a view of the compliance Information relating to the VAT number in question.

Compliance information shows the following:

any outstanding returns

periods selected for audit

unallocated payments from the closing balance and

all transaction details for the period requested.

VAT Payments

Payments and allocations

Payment Options available to taxpayers



- Payment through eFiling

These payments have to be released from the taxpayer's bank account

- EFT Payments



- Payments at one of the relevant bank branches and Foreign payments



Payments and allocations

Payment allocation and payment reference numbers (PRN)

Always quote the unique payment reference number (PRN) when making payment Payments will be allocated to your account as follows:

- firstly penalties,
- secondly interest and thirdly tax.
- Payment allocations to tax periods are based on specific allocation rules linked to the unique PRN used on each VAT201 filed.
- These rules may be viewed on www.sarsefiling.co.za or on www.sars.gov.za.

Common Audit Findings

Vendors who are claiming input tax using old invoices that have been used on previous periods.

Claiming input tax on prescribed periods (over 5 years)

There are no supporting documentation for inputs claimed or tax invoices

Debt Management

For normal debt queries :

For all business rescues and compromises in terms of section 155 of the Companies Act correspondence or notices please use: sarsdebtmanagement2@sars.gov.za.

SMMEs are required to be fully tax compliant through on time submission of returns and payments. In cases where taxpayers are not compliant and have outstanding tax debt the Debt Management department is committed to assisting businesses to become fully compliant.

SARS wants to assist you to manage your tax debt. Reach out to SARS and ensure that you comply with your tax obligations

Debt Management

Payment arrangements

What if I can't pay the full amount now?

If you are not currently able to pay your tax debt, please contact SARS without delay. In certain circumstances we can reach an agreement with you to defer your tax debt for later payment or for payment by instalments.

SARS provides for a deferment, or instalment payment arrangement for outstanding tax debt. You may request and enter into an instalment payment arrangement with SARS. It allows you to pay your outstanding debt in one sum or in instalments over time until you have paid your entire debt including applicable interest. This agreement however would be subject to certain qualifying criteria.

Note: A payment arrangement may be requested through eFiling

Email any outstanding debt queries and deferred arrangements requests to Sarsdebtmanagement2@sars.gov.za

Debt Management

Supporting documents that may be required when making arrangements include:

- o Copies of bank statements for the past three months
- o Cash flow statement for the next 12 months
- o Previous three year financial statements (where applicable, dependant on the request)
- o Management accounts from last financial statements up to date
- o A detailed asset register including disposals for the last 3 years
- o Detailed list of debtor and creditor's analysis.

Taxpayer/Vendor rights and obligations

New Service Charter with effect from 1 April 2022.

Taxpayer Obligations include:

- Providing all supporting documentation and information within the required timeframes, as requested .
- Act honestly and have respect for the tax system –(Declare truthfully and honestly)
- Assist in deterring non-compliance by reporting tax fraud and non-compliance with tax legislation
- You cannot charge VAT if not registered as a Vendor.

Taxpayer/Vendor rights and obligations

Rights

Clarity and certainty (to be informed) of obligations to SARS

Be heard, make a complaint and lodge disputes that are resolved timeously

Be treated without fear, favour, or prejudice by SARS in a confidential manner, within the relevant legislative framework

- **Note: Vendors who have ceased trading and wishes to apply for deregistration (i.e. voluntary deregistration) may do so via eFiling (Registration maintenance) alternatively apply in writing(submitted only via branch appointment)**
- **Ensure that there is no outstanding debt VAT201s, and no pending audits when applying for deregistration.**

Record Keeping

- A vendor is required to maintain documents and records in respect of all sales and purchases
- Documents and records must be retained for 5 years
- Most important document for VAT is the Tax Invoice:
 - Tax invoices must be issued and retained for all sales
 - Tax invoices must be obtained and retained for all business expenses
- A business is required to maintain records in respect of all sales and business expenses for 5 years.
- Critical requirement to issue tax invoices in respect of sales.
- Critical requirement to obtain tax invoices in respect of business expense purchases (for which the business intends to deduct input tax).
- Tax invoices must be issued in accordance with prescribed requirements as set out in the VAT Act.
- Tax invoices create the audit trail for SARS to verify the business' VAT liability.

Go Digital




Remember our Digital Channels

- We've made it easier for you

Go Digital!

- Download the SARS MobiApp via your app store
- Register for eFiling
- SARS Online Query System

- Visit us on our Social Media platforms

- LinkedIn  Facebook  Twitter 



- For more information on VAT201 Completion, please visit:

□ SARS website: www.sars.gov.za

Thank you
Re a leboha
Re a leboga
Ndza Khensa
Dankie
Ndi a livhuwa
Ngiyabonga
Enkosi
Ngiyathokoza



Thank you for walking this journey with us

