



*SOUTH AFRICAN REVENUE SERVICE*

**INTERPRETATION NOTE: NO. 52**

DATE: 14 December 2009

**ACT : VALUE-ADDED TAX ACT, NO. 89 OF 1991 (the VAT Act)**

**SECTION : SECTION 27**

**SUBJECT : TAX PERIODS**

***Preamble***

In this Note legislative references to sections are to sections of the VAT Act unless otherwise stated.

**1. Purpose**

This Note serves to –

- set out the legal framework for instances under which tax periods may end on a day other than the last day of a month (hereinafter referred to as cut-off dates);
- provide, in terms of the binding general ruling contained in **5** hereof, the necessary authorisation granted by the Commissioner for changing of cut-off dates; and
- withdraw, in terms of section 5(2), VAT Practice Note No.5 issued on 25 September 1991 with effect from the date of issue of this Note.

**2. Background**

A supplier, being a vendor, making a taxable supply of goods or services in the course or furtherance of its enterprise is required to levy value-added tax (VAT) at the applicable rate on the value of the supply. Furthermore, a supply is deemed to have been made in terms of the time of supply provisions. The general rule is that the time of supply occurs at the earlier of the date of receipt of the consideration or an invoice is issued in relation to a supply. In all other instances, section 9 provides for specific time of supply rules.

The extent to which a vendor is required to declare output tax on supplies is limited to a specific time period within which the supplies occur. This time period is referred to as a tax period.

A vendor is required to submit a return (VAT 201) for a specific tax period. The VAT 201 return reflects the output tax attributable to the tax period as well as any input tax to which the vendor is entitled. The difference between the output tax and input tax is either paid to or refunded by SARS.

### 3. The law

#### Section 27 – Tax period

(1) For the purposes of this section—

“**Category A**” means the category of vendors whose tax periods are periods of two months ending on the last day of the months of January, March, May, July, September and November of the calendar year;

“**Category B**” means the category of vendors whose tax periods are periods of two months ending on the last day of the months of February, April, June, August, October and December of the calendar year;

“**Category C**” means the category of vendors whose tax periods are periods of one month ending on the last day of each of the 12 months of the calendar year;

“**Category D**” means the category of vendors whose tax periods are periods of six months ending on the last day of February and August of the calendar year or, where any vendor falling within this category makes written application therefor, on the last day of such other months as the Commissioner may approve;

“**Category E**” means the category of vendors whose tax periods are periods of twelve months ending on the last day of their “year of assessment” as defined in section 1 of the Income Tax Act or where any vendor falling within this category makes written application therefor, on the last day of such other month as the Commissioner may approve;

“**Category F**” means the category of vendors whose tax periods are periods of four months ending on the last day of June, October and February of the calendar year.

.....

(6) The tax periods applicable under this Act to any vendor shall be the tax periods applicable to the Category within which the vendor falls as contemplated in this section: Provided that—

- (i) the first such period shall commence on the commencement date or, where any person becomes a vendor on a later date, such later date;
- (ii) any tax period ending on the last day of a month, as applicable in respect of the relevant Category, may, instead of ending on such last day, end on a fixed day approved by the Commissioner, which day shall fall within 10 days before or after such last day;
- (iii) the first day of any tax period of the vendor subsequent to the vendor's first tax period shall be the first day following the last day of the vendor's preceding tax period.

### 4. Application of the law

A vendor is required to submit VAT 201 returns and account for VAT to SARS according to the tax periods allocated to the vendor by the Commissioner. Section 27(1) sets out the various categories of tax periods available to vendors (see 3 above). Tax periods range from one, two, four, six or 12 calendar months.

The tax periods in section 27(1) all end on the last day of the last month of the relevant tax period. However, section 27(6)(ii) makes provision for the Commissioner to allow a tax period to end on a fixed day instead of the last day of the month of that particular tax period. Whilst this provision allows for flexibility regarding the date on which a tax period may end, this flexibility is limited to certain parameters. In this regard, the Commissioner will only approve a fixed day if that fixed day falls within

10 days before or after the last day of the tax period as contemplated in section 27(1) (the 10-day rule).

A vendor may change the date on which a tax period ends, but the liability to submit the VAT 201 return and pay the tax is prescribed in terms of section 28. In this regard the normal rules with respect to manual or e-filing submission of returns apply.

For ease of reference, the 10-day period for each month is as follows:

<b>Last day of tax period</b>	<b>10 days before</b>	<b>10 days after</b>
31 January	21 - 30 January	1 - 10 February
28/29 February	18 - 27 February/ 19 - 28 February	1 - 10 March
31 March	21 - 30 March	1 - 10 April
30 April	20 - 29 April	1 - 10 May
31 May	21 - 30 May	1 - 10 June
30 June	20 - 29 June	1 - 10 July
31 July	21 - 30 July	1 - 10 August
31 August	21 - 30 August	1 - 10 September
30 September	20 - 29 September	1 - 10 October
31 October	21 - 30 October	1 - 10 November
30 November	20 - 29 November	1 - 10 December
31 December	21 - 30 December	1 - 10 January

## **5. Binding general ruling**

The contents of this paragraph constitute a binding general ruling issued in accordance with section 76P of the Income Tax Act, No. 58 of 1962, as made applicable to the VAT Act by section 41A. This ruling is effective from the date of issue of this Note until it is withdrawn or amended.

### **5.1 Approved categories**

The following categories of cut-off dates of a vendor's tax periods that are listed below, are approved by the Commissioner in terms of section 27(6)(ii), provided that the 10-day rule is adhered to:

- A fixed day, being a specific day of the week;
- A fixed date, being a specific date in a calendar month; or
- A fixed day determined in accordance and consistent with the "commercial accounting periods" applied by the vendor.

## 5.2 Conditions for Commissioner's approval

The approval set out in **5.1** is conditional upon the following:

- In respect of the cut-off dates set out in the last-mentioned category, the vendor is required to supply the necessary proof that the cut-off dates requested are in accordance and consistent with its commercial accounting periods (for example, the minutes of a board meeting in which a decision was made regarding the entity's commercial accounting period or proof of cut-off dates for management reporting purposes);
- In all instances where a change of cut-off dates is allowed, the first day of the next tax period is the day following the last day of the previous tax period; and
- Any cut-off date that is changed in accordance with this ruling, must remain unchanged for a minimum period of 12 months.

## 5.3 General

Vendors that comply with the provisions of this ruling do not need to apply for a specific ruling. However, a vendor that intends –

- changing its cut-off date and that date does not fall within one of the categories listed in **5.1**; or
  - changing its cut-off date more than once in a 12-month period,
- must apply for a specific ruling.

## 6. Examples

The following are examples of categories of cut-off dates that the Commissioner has approved:

### **Example 1 – Vendor's month-end reporting ends on a fixed date**

*Scenario:*

Vendor A is a VAT-registered vendor and is required to submit VAT 201 returns on a monthly basis as contemplated in section 27(1). However, Vendor A ends its month-end reporting on the 7<sup>th</sup> day of each month for purposes of its management reports.

*Question:*

Can Vendor A, instead of ending its tax periods on the last day of each month, end these periods on the 7<sup>th</sup> day of each month?

*Result:*

Yes, Vendor A's cut-off dates fall within the categories for which approval is granted by the Commissioner as set out in **5** of this Note. Furthermore, Vendor A must ensure that it satisfies the conditions set out in **5.2**.

**Example 2 – Vendor’s month-end reporting ends in terms of its “commercial accounting periods”**

*Scenario:*

Vendor C (a company) is a VAT-registered vendor and is required to submit VAT 201 returns on a monthly basis as contemplated in section 27(1). Vendor C ends its month-end for reporting purposes on the following days (commercial accounting periods) which was approved by its board of directors and was documented and retained as minutes in the company’s records:

<b>Tax Period</b>	<b>Commercial Accounting Date</b>
March 2010	28 March 2010
April 2010	25 April 2010
May 2010	30 May 2010
June 2010	27 June 2010
July 2010	25 July 2010
August 2010	29 August 2010
September 2010	26 September 2010
October 2010	31 October 2010
November 2010	28 November 2010
December 2010	24 December 2010
January 2011	29 January 2011
February 2011	28 February 2011

*Question:*

Can Vendor C, instead of ending its tax periods on the last day of each month, end these periods on the dates set out above?

*Result:*

Yes, Vendor C’s cut-off dates fall within the categories for which approval is granted by the Commissioner as set out in 5 of this Note. Furthermore, Vendor C must ensure that it satisfies the conditions set out in 5.2.

**Example 3 – Vendor’s month-end reporting ends on a fixed day***Scenario:*

Vendor B is a VAT-registered vendor and is required to submit VAT 201 returns on a monthly basis as contemplated in section 27(1). Vendor B ends its month-end reporting on the last Wednesday of each month for the purposes of compiling its management reports.

*Question:*

Can Vendor B, instead of ending its tax periods on the last day of each month, end these periods on the last Wednesday of each month?

*Result:*

Yes, Vendor B’s cut-off dates fall within the categories for which approval is granted by the Commissioner as set out in **5** of this Note. Furthermore, Vendor B must ensure that it satisfies the conditions set out in **5.2**.

**7. Conclusion**

A vendor that intends changing the date on which the vendor’s tax period ends and the date does not fall within one of the categories listed in **5**, must apply in writing to the local SARS branch office where the vendor is registered. In this regard a clearly motivated application, stating the difficulties experienced in meeting the criteria set out in **5**, must be submitted.

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