

INTERPRETATION NOTE: NO. 56 (Issue 2)

DATE: 31 March 2014

ACT : VALUE-ADDED TAX ACT, NO. 89 OF 1991

SECTIONS : SECTIONS 20(2) AND 21(4)

SUBJECT : RECIPIENT-CREATED TAX INVOICES; CREDIT AND DEBIT NOTES

Preamble

In this Note unless the context indicates otherwise –

- “**BGR**” means a binding general ruling issued under section 89 of the TA Act;
- “**section**” means a section of the VAT Act;
- “**TA Act**” means the Tax Administration Act No. 28 of 2011;
- “**VAT Act**” means the Value-Added Tax Act No. 89 of 1991; and
- any word or expression bears the meaning ascribed to it in the Act.

1. Purpose

This Note serves to –

- set out the legal framework for recipient-created tax invoices, credit and debit notes (also known as self-invoicing); and
- discuss under **5**, paragraph 2 of BGR (VAT) No. 15 (Issue 2) which provides the necessary approval to issue recipient-created tax invoices, credit and debit notes.

2. Background

Generally, a supplier of goods or services is required to issue a tax invoice for taxable supplies made to a recipient within 21 days of the supply being made. The supplier is required to retain a copy of the tax invoice which forms part of the supplier’s records and serves to verify the output tax declared. The tax invoice issued by the supplier, in the hands of the recipient of the supply, becomes the document that is retained for purposes of substantiating the recipient’s input tax deduction.

The amount of value-added tax (VAT) shown on a tax invoice may in certain circumstances be incorrect, for example, where goods supplied have been returned. A credit note must, in this instance be issued to rectify the amount of VAT incorrectly charged. Tax invoices, credit and debit notes are, therefore, a very important part of how the VAT system operates as such documents are used to create a paper trail for audit purposes.

It is acknowledged that a supplier may in certain circumstances be unable to issue a tax invoice. Provision is therefore made for the Commissioner to allow the recipient of a supply to issue a tax invoice, credit and debit note for a supply made by a supplier.

3. The law

The relevant sections of the VAT Act are quoted in **Annexure A**.

4. Application of the law

4.1 Tax invoices (section 20)

A supplier, being a vendor, making a taxable supply of goods or services must within 21 days of making the supply issue a tax invoice to the recipient.

A tax invoice must contain the details prescribed in section 20 for it to constitute a valid document for purposes of deducting input tax. These details will vary depending on the consideration for the taxable supply.

A tax invoice is not required to be issued where the total consideration for a supply is in money and does not exceed R50.

Refer to **Annexure D** for more details regarding tax invoices.

Recipient-created tax invoices

It is acknowledged that a supplier may in certain circumstances beyond the supplier's control be unable to issue a tax invoice. The circumstances considered to be beyond the supplier's control are where the recipient of the supply is in control of determining the quantity or quality of the supply, or is responsible for measuring or testing the goods sold by the supplier. Provision is therefore made for the Commissioner to allow the recipient of a supply to issue a tax invoice for a supply made by a supplier in certain instances.

The qualifying criteria that must exist before the Commissioner will allow the recipient of a supply to issue a tax invoice for a supply made by a supplier is that the consideration for a supply is determined by the recipient of the goods or services.

The recipient must, as required by the VAT Act, first obtain written authorisation from the Commissioner before being allowed to issue recipient-created tax invoices.

4.2 Credit and debit notes (section 21)

A supplier must issue a credit or debit note to rectify the VAT incorrectly charged (as shown on a tax invoice) where –

- the supply has been cancelled;
- the nature of the supply has been fundamentally varied;
- the consideration for the supply has been fundamentally altered or varied;
- the goods or services supplied have been returned to the supplier; or
- an error has occurred in stipulating the amount of the agreed consideration; and

as a result thereof, a tax invoice has been issued reflecting an incorrect amount of tax charged on the supply. The credit or debit note issued by the vendor must contain the particulars stipulated in section 21(3).

Similar to recipient-created tax invoices as discussed above, a supplier may in certain circumstances beyond the supplier's control be unable to issue a credit or

debit note. Provision is therefore made for the Commissioner to allow the recipient of a supply to issue a credit or debit note for a previous supply made by the supplier.

Approval for the recipient of a supply to issue a credit or debit note for a previous supply made by a supplier will only be granted if the recipient has received approval to issue recipient-created tax invoices. Furthermore, the recipient must have issued a recipient-created tax invoice for the supply for which a recipient-created credit or debit note is to be issued.

4.3 Rebates

Rebates are generally allowed by suppliers to their customers and as such are represented in different forms which are dependent on the circumstances of each case. In this regard, rebates in some instances may reduce the consideration for the goods or services that were supplied by the supplier whereas some rebates may be payment for a separate taxable supply of services by the customer to the supplier. A credit note must be issued if the consideration for a supply is reduced in relation to the original tax invoice issued.

5. Binding General Ruling (VAT) No. 15 (Issue 2)

BGR (VAT) No. 15 (Issue 2) (BGR 15), which is effective from 1 April 2013, sets out the requirements that a vendor must satisfy in order to issue recipient-created tax invoices, credit and debit notes. A vendor that satisfies these requirements does not have to apply for prior approval from the Commissioner to issue recipient-created tax invoices, credit and debit notes. The approval and conditions referred to in paragraph 2 of BGR 15 are discussed below.

5.1 Ruling

This ruling constitutes a BGR issued under section 89 of the TA Act.

A tax invoice, credit or debit note issued by a supplier in respect of a taxable supply for which a recipient has been granted approval to issue a recipient-created tax invoice, credit or debit note, as set out in **5.2** and **5.3** below, shall be deemed not to be a tax invoice, credit or debit note for the purposes of the VAT Act.

5.2 Tax invoices

The Commissioner's approval is hereby granted to vendors to issue recipient-created tax invoices, where the recipient –

- determines the consideration for the supply of the goods or services; and
- is in control of determining the quantity or quality of the supply, or is responsible for measuring or testing the goods sold by the supplier.

5.3 Credit and debit notes

A vendor that has been granted approval in terms of **5.2** to create and issue recipient-created tax invoices is hereby granted approval by the Commissioner to create and issue recipient-created credit and debit notes relating to the recipient-created tax invoices issued.

5.4 Conditions for Commissioner's approval

The approval set out in **5.2** and **5.3** is conditional upon the recipient, being a vendor,—

- (a) acquiring and retaining proof of the supplier's VAT registration number;
- (b) entering into an agreement with the supplier that the supplier shall not issue a tax invoice, credit or debit note in respect of any taxable supply to which the approval applies;
- (c) issuing a recipient-created tax invoice that complies with the provisions of section 20(4) or 20(5) or a credit or debit note that complies with the provisions of section 21(1) and (3), as the case may be;
- (d) providing the recipient-created tax invoice, credit or debit note to the supplier and retaining a copy thereof;
- (e) issuing the recipient-created tax invoice within 21 days from the date of the supply being made; and
- (f) retaining a copy of the recipient-created tax invoice, credit or debit note for a period contemplated in section 29 of the TA Act and section 55 of the VAT Act.

6. General

Vendors who issue recipient-created tax invoices or debit notes, and who do not comply with BGR 15, are not entitled to deduct input tax as the documentary proof (that is, the non-approved recipient-created tax invoice or debit note) is not in compliance with section 16(2). A deduction of input tax by the vendor on a non-approved recipient-created tax invoice or debit note, will result in the Commissioner raising assessments to disallow the input tax deducted based on such documents. The vendor deducting input tax on these non-approved recipient-created tax invoices and debit notes, will be liable for penalties and interest.

Annexure B, Annexure C, Annexure D and Annexure E are attached to provide assistance to vendors regarding the requirements stated in BGR 15 and **5.2** or **5.3** of this Note.

7. Conclusion

This Note sets out the criteria that have to be met in order for the Commissioner to approve the issuing of recipient-created tax invoices, credit and debit notes.

Vendors failing to comply with the criteria stipulated in BGR 15 and **5.2** to **5.4** of this Note, may apply in writing for approval to issue recipient-created tax invoices, credit and debit notes by sending an e-mail to **VATRulings@sars.gov.za** or by facsimile to 086 540 9390. In this regard a clearly motivated application complying with the provisions of section 79 of the TA Act, 2011 excluding section 79(4)(f), (k) and (6), accompanied by the prescribed VAT301 form must be submitted.

Annexure A – The law

Section 20 – Tax invoices

(1) Except as otherwise provided in this section, a supplier, being a registered vendor, making a taxable supply (other than a supply contemplated in section 8(10)) to a recipient, must within 21 days of the date of that supply issue a tax invoice containing such particulars as are specified in this section: Provided that—

- (i) it shall not be lawful to issue more than one tax invoice for each taxable supply;
- (ii) if a vendor claims to have lost the original tax invoice, the supplier or the recipient, as the case may be, may provide a copy clearly marked “copy”.

(2) Where a recipient, being a registered vendor, creates a document containing the particulars specified in this section and purporting to be a tax invoice in respect of a taxable supply of goods or services made to the recipient by a supplier, being a registered vendor, that document shall be deemed to be a tax invoice provided by the supplier under subsection (1) of this section where—

- (a) the Commissioner has granted prior approval for the issue of such documents by a recipient or recipients of a specified class in relation to the taxable supplies or taxable supplies of a specified category to which the documents relate; and
- (b) the supplier and the recipient agree that the supplier shall not issue a tax invoice in respect of any taxable supply to which this subsection applies; and
- (c) such document is provided to the supplier and a copy thereof is retained by the recipient:

Provided that where a tax invoice is issued in accordance with this subsection, any tax invoice issued by the supplier in respect of that taxable supply shall be deemed not to be a tax invoice for the purposes of this Act.

(3) ...

(4) Except as the Commissioner may otherwise allow, and subject to this section, a tax invoice (full tax invoice) shall be in the currency of the Republic and shall contain the following particulars:

- (a) The words “tax invoice” in a prominent place;
- (b) the name, address and VAT registration number of the supplier;
- (c) the name, address and, where the recipient is a registered vendor, the VAT registration number of the recipient;
- (d) an individual serialized number and the date upon which the tax invoice is issued;
- (e) full and proper description of the goods (indicating, where applicable, that the goods are second-hand goods) or services supplied;
- (f) the quantity or volume of the goods or services supplied;
- (g) either—
 - (i) the value of the supply, the amount of tax charged and the consideration for the supply; or
 - (ii) where the amount of tax charged is calculated by applying the tax fraction to the consideration, the consideration for the supply and either the amount of the tax charged, or a statement that it includes a charge in respect of the tax and the rate at which the tax was charged:

Provided that the requirement that the consideration or the value of the supply, as the case may be, shall be in the currency of the Republic shall not apply to a supply that is charged with tax under section 11.

(5) Notwithstanding anything in subsection (4), where the consideration in money for a supply does not exceed R5 000, a tax invoice (abridged tax invoice) shall be in the currency of the Republic and shall contain the particulars specified in that subsection or the following particulars:

- (a) The words "tax invoice" in a prominent place;
- (b) the name, address and VAT registration number of the supplier;
- (c) an individual serialized number and the date upon which the tax invoice is issued;
- (d) a description of the goods (indicating, where applicable, that the goods are second-hand goods) or services supplied;
- (e) either—
 - (i) the value of the supply, the amount of tax charged and the consideration for the supply; or
 - (ii) where the amount of tax charged is calculated by applying the tax fraction to the consideration, the consideration for the supply and either the amount of the tax charged, or a statement that it includes a charge in respect of the tax and the rate at which the tax was charged:

Provided that this subsection shall not apply to a supply that is charged with tax under section 11.

Section 21 – Credit and debit notes

(1) This section shall apply where, in relation to the supply of goods or services by any registered vendor—

- (a) that supply has been cancelled; or
- (b) the nature of that supply has been fundamentally varied or altered; or
- (c) the previously agreed consideration for that supply has been altered by agreement with the recipient, whether due to the offer of a discount or for any other reason; or
- (d) the goods or services or part of the goods or services supplied have been returned to the supplier, including the return to a vendor of a returnable container, the vendor in such case being deemed for the purposes of this Act to have made the supply of the container in respect of which the deposit was charged, whether the supply was made by him or any other person; or
- (e) an error has occurred in stipulating the amount of consideration agreed upon for that supply.

and the supplier has—

- (i) provided a tax invoice in relation to that supply and the amount shown therein as tax charged on that supply is incorrect in relation to the amount properly chargeable on that supply as a result of the occurrence of any one or more of the above-mentioned events; or
- (ii) furnished a return in relation to the tax period in respect of which output tax on that supply is attributable, and has accounted for an incorrect amount of output tax on that supply in relation to the amount properly chargeable on that supply as a result of the occurrence of any one or more of the above-mentioned events.

(2) Where a supplier has accounted for an incorrect amount of output tax as contemplated in subsection (1), that supplier shall make an adjustment in calculating the tax payable by the supplier in the return for the tax period during which it has become apparent that the output tax is incorrect, and if—

- (a) the output tax properly chargeable in relation to that supply exceeds the output tax actually accounted for by the supplier, the amount of that excess shall be deemed to be tax charged by that supplier in relation to a taxable supply attributable to the tax period in which the adjustment is to be made, and shall not be attributable to any prior tax period; or
- (b) the output tax actually accounted for exceeds the output tax properly chargeable in relation to that supply, that supplier shall either make a deduction in terms of section 16(3) in respect of the amount of that excess (such amount being deemed for the purposes of that section to be input tax), or reduce the amount of output tax attributable to the said tax period in terms of section 16(4) by the amount of that excess: Provided that the said deduction shall not be made where the excess tax has been borne by a recipient of goods or services supplied by the supplier and the recipient is not a vendor, unless the amount of the excess tax has been repaid by the supplier to the recipient, whether in cash or by way of a credit against any amount owing to the supplier by the recipient.

(3) Subject to this section, where a tax invoice has been provided as contemplated in subsection (1)(i), and—

- (a) the amount shown as tax charged in that tax invoice exceeds the actual tax charged in respect of the supply concerned, the supplier shall provide the recipient with a credit note, containing the following particulars:
 - (i) The words “credit note” in a prominent place;
 - (ii) the name, address and VAT registration number of the vendor;
 - (iii) the name, address and, where the recipient is a registered vendor, the VAT registration number of the recipient, except where the credit note relates to a supply in respect of which a tax invoice contemplated in section 20(5) was issued;
 - (iv) the date on which the credit note was issued;
 - (v) either—
 - (aa) the amount by which the value of the said supply shown on the tax invoice has been reduced and the amount of the excess tax; or
 - (bb) where the tax charged in respect of the supply is calculated by applying the tax fraction to the consideration, the amount by which the consideration has been reduced and either the amount of the excess tax or a statement that the reduction includes an amount of tax and the rate of the tax included;
 - (vi) a brief explanation of the circumstances giving rise to the issuing of the credit note;
 - (vii) information sufficient to identify the transaction to which the credit note refers;
- (b) the actual tax charged in respect of the supply concerned exceeds the tax shown in the tax invoice as charged, the supplier shall provide the recipient with a debit note, containing the following particulars:
 - (i) The words “debit note” in a prominent place;
 - (ii) the name, address and VAT registration number of the vendor;

- (iii) the name, address and, where the recipient is a registered vendor, the VAT registration number of the recipient, except where the debit note relates to a supply of goods in respect of which a tax invoice contemplated in section 20(5) was issued;
- (iv) the date on which the debit note was issued;
- (v) either—
 - (aa) the amount by which the value of the said supply shown on the tax invoice has been increased and the amount of the additional tax; or
 - (bb) where the tax charged in respect of the supply is calculated by applying the tax fraction to the consideration, the amount by which the consideration has been increased and either the amount of the additional tax or a statement that the increase includes an amount of tax and the rate of the tax included;
- (vi) a brief explanation of the circumstances giving rise to the issuing of the debit note;
- (vii) information sufficient to identify the transaction to which the debit note refers:

Provided that—

- (A) it shall not be lawful to issue more than one credit note or debit note for the amount of the excess;
- (B) if any registered vendor claims to have lost the original credit note or debit note, the supplier or recipient, as the case may be, may provide a copy clearly marked “copy”;
- (C) a supplier shall not be required to provide a recipient with a credit note contemplated in paragraph (a) of this subsection in any case where and to the extent that the amount of the excess referred to in that paragraph arises as a result of the recipient taking up a prompt payment discount offered by the supplier, if the terms of the prompt payment discount offer are clearly stated on the face of the tax invoice.

(4) Where a recipient, being a registered vendor, creates a document containing the particulars specified in this section and purporting to be a credit note or a debit note in respect of a supply of goods or services made to the recipient by a supplier, being a registered vendor, the document shall be deemed to be a credit note or, as the case may be, a debit note provided by the supplier under subsection (3) where—

- (a) the Commissioner has granted prior approval for the issue of such documents by a recipient or recipients of a specified class in relation to the supplies or supplies of a specified category to which the documents relate; and
- (b) the supplier and the recipient agree that the supplier shall not issue a credit note or, as the case may be, a debit note in respect of any supply to which this subsection applies; and
- (c) a copy of any such document is provided to the supplier and another copy is retained by the recipient:

Provided that—

- (i) where a credit note is issued in accordance with this subsection, any credit note issued by the supplier in respect of that supply shall be deemed not to be a credit note for the purposes of this Act;
- (ii) where a debit note is issued in accordance with this subsection, any debit note issued by the supplier in respect of that supply shall be deemed not to be a debit note for the purposes of this Act.

Section 55 – Records

(1) In addition to the records required under Part A of Chapter 4 of the Tax Administration Act, every vendor must, in particular, keep the following records and documents:

- (a) a record of all goods and services supplied by or to the vendor showing the goods and services, the rate of tax applicable to the supply and the suppliers or their agents, in sufficient detail to enable the goods and services, the rate of tax, the suppliers or the agents to be readily identified by the Commissioner, and all invoices, tax invoices, credit notes, debit notes, bank statements, deposit slips, stock lists and paid cheques relating thereto: Provided that a vendor's records do not have to show the rate of tax where the vendor has been authorised by the Commissioner to calculate the tax payable by him in accordance with a method prescribed by regulation, as contemplated in section 16(1);
- (aA) a record of all importations of goods and documents relating thereto as contemplated in section 16(2)(d);
- (aB) any documentary proof required to be obtained and retained in accordance with section 16(2)(f);
- (b) the charts and codes of account, the accounting instruction manuals and the system and programme documentation which describe the accounting system used in each tax period in the supply of goods and services;
- (c) any list required to be prepared in accordance with section 15(9); and
- (d) any documentary proof required to be obtained and retained in accordance with section 11(3).

Annexure B – Non-exhaustive list of examples of circumstances and supplies which would qualify for recipient-created tax invoices, credit and debit notes

1. Quantity & Measuring

Example 1 – Commission agent

Facts:

Company A, a registered vendor for VAT purposes, does not employ any sales representatives and therefore uses independent VAT registered agents to assist with obtaining orders, merchandising and retailing. The agent obtains orders and places the orders with Company A via Company A's call centre. Company A records the order on its system and a distributor packs and delivers the goods directly to the customer. The customer pays Company A directly. Company A pays the agent a commission, based on completed sales made for the month (that is, delivered to and fully paid for by the customer). Company A is in a position to determine the consideration payable to the agents.

Can Company A issue recipient-created tax invoices for the supplies acquired from the agents without obtaining prior approval from the Commissioner?

Result:

Company A qualifies in terms of BGR 15 (refer to **5.2** of this Note) to issue recipient-created tax invoices without obtaining prior approval from the Commissioner, provided that the requirements of BGR 15 (refer to **5.4** of this Note) are satisfied.

Example 2 – Farmer

Facts:

Vendor B is a farmer who sells produce to Co-operative XYZ (both parties are registered vendors for VAT purposes). Vendor B is responsible for the delivery of its produce to Co-operative XYZ. Co-operative XYZ on receipt of the delivery weighs the produce and issues an in-house ticket to Vendor B. Co-operative XYZ pays Vendor B a fixed price per ton of produce delivered.

Can Co-operative XYZ issue recipient-created tax invoices for the supplies acquired from Vendor B without obtaining prior approval from the Commissioner?

Result:

Co-operative XYZ qualifies in terms of BGR 15 (refer to **5.2** of this Note) to issue recipient-created tax invoices without obtaining prior approval from the Commissioner, provided that the requirements of BGR 15 (refer to **5.4** of this Note) are satisfied.

Example 3 – Subcontractor/Commission agent*Facts:*

Company C, a registered vendor for VAT purposes, has exclusive mining rights in South Africa. Company C has appointed various subcontractors to recover precious metals from its different mining areas. The subcontractors, being registered vendors for VAT purposes, are paid for their services rendered based on a percentage of the selling price of the precious metals realised by Company C. Company C markets the precious metals, calculates the amount payable and pays the subcontractor. Company C (recipient) is in a position to determine the consideration payable for the supply.

Can Company C issue recipient-created tax invoices for the supplies acquired from the subcontractors without obtaining prior approval from the Commissioner?

Result:

Company C qualifies in terms of BGR 15 (refer to **5.2** of this Note) to issue recipient-created tax invoices without obtaining prior approval from the Commissioner, provided that the requirements of BGR 15 (refer to **5.4** of this Note) are satisfied.

Example 4 – Royalties*Facts:*

Company E, a registered vendor for VAT purposes, has exclusive intellectual property rights on an accounting software package. Company E has supplied the right to use the intellectual property to Company F (also a registered vendor). Company F will pay Company E 5% of its monthly turnover as consideration for the right to use the intellectual property. Company E is dependent on Company F for determining the value to be placed on the right to use the intellectual property.

Can Company F issue recipient-created tax invoices for the supplies acquired from Company E without obtaining prior approval from the Commissioner?

Result:

Company F qualifies in terms of BGR 15 (refer to **5.2** of this Note) to issue recipient-created tax invoices without obtaining prior approval from the Commissioner, provided that the requirements of BGR 15 (refer to **5.4** of this Note) are satisfied.

2. Quality & Testing

Example 5 – Farmer

Facts:

Vendor A is a farmer who sells produce to Co-operative XYZ (both parties are registered vendors for VAT purposes). Vendor A is responsible for the delivery of its produce to Co-operative XYZ. Co-operative XYZ on receipt of the delivery weighs the produce and issues an in-house ticket to Vendor A. Co-operative XYZ determines the price payable per ton to Vendor A based on the quality of the produce. The testing and measuring of the quality is performed by Co-operative XYZ.

Can Co-operative XYZ issue recipient-created tax invoices for the supplies acquired from Vendor A without obtaining prior approval from the Commissioner?

Result:

Co-operative XYZ qualifies in terms of BGR 15 (refer to **5.2** of this Note) to issue recipient-created tax invoices without obtaining prior approval from the Commissioner, provided that the requirements of BGR 15 (refer to **5.4** of this Note) are satisfied.

Example 6 – Mining Industry

Facts:

Company B, a registered vendor for VAT purposes, conducts a mining activity in which it extracts precious metals and supplies it to Company C. Company C is a registered vendor for VAT purposes. Company C calculates the amount payable to Company B based on the quality of the precious metals. The determination of the quality of the precious metals is performed by Company C in line with international guidelines. Company C (recipient) is in a position to determine the consideration payable for the supply.

Can Company C issue recipient-created tax invoices for the supplies acquired from Company B without obtaining prior approval from the Commissioner?

Result:

Company C qualifies in terms of BGR 15 (refer to **5.2** of this Note) to issue recipient-created tax invoices without obtaining prior approval from the Commissioner, provided that the requirements of BGR 15 (refer to **5.4** of this Note) are satisfied.

Annexure C – Example of a recipient-created tax invoice

TAX INVOICE

TAX INVOICE NO. 2009

To :
Farmlands (Pty) Ltd
100 Farmlands
FARMLANDS
VAT No. 4121702231

ABC Co-operative
VAT No.: 4111252081
57 Farmlands
FARMLANDS
1234

Date : 30 May 2008

DATE	QTY	DESCRIPTION OF SERVICE/GOODS	Unit Price	R
30/11/13	15 tons	Grade 1 Sunflowers	1 140.00	17 100.00
	15 tons	Grade 2 Sunflowers	912.00	13 680.00
Total				30 780.00
VAT included @ 14%				3 780.00

Total consideration charged

Amount of VAT included in the consideration

Output tax payable by Farmlands (Pty) Ltd in the above example is R3 780.00

Annexure D – Example of tax invoices

Abridged tax invoice

A tax invoice must contain the following particulars where the consideration for the supply exceeds R50, but not R5 000 before it will constitute a valid tax invoice (referred to as an “abridged tax invoice”):

- The words “tax invoice” displayed in a prominent place.
- The name, address and VAT registration number of the supplier.
- An individual serialised number and the date on which the tax invoice is issued.
- A full and proper description of the goods (indicating, where applicable, that the goods are second-hand goods) or services supplied.
- Either –
 - the value of the supply, the total amount of tax charged and the consideration including tax charged for the supply; or
 - the consideration including tax charged for the supply and either the amount of tax charged or a statement to the effect that it includes a charge for the tax and the rate at which the tax was charged.

The value and consideration must be denominated in Rands. An abridged tax invoice may however not be issued in relation to a zero-rated supply.

Full tax invoice

A tax invoice must contain the following particulars where the consideration for the supply exceeds R5 000 before it will constitute a valid tax invoice (referred to as a “full tax invoice”):

- The words “tax invoice” displayed in a prominent place.
- The name, address and VAT registration number of the supplier.
- The name, address and VAT registration number of the recipient.
- An individual serialised number and the date on which the tax invoice is issued.
- A full and proper description of the goods (indicating, where applicable, that the goods are second-hand goods) or services supplied.
- The quantity or volume of the goods or services supplied.
- Either –
 - the value of the supply, the total amount of tax charged and the consideration including tax charged for the supply; or
 - the consideration including tax charged for the supply and either the amount of tax charged or a statement to the effect that it includes a charge for the tax and the rate at which the tax was charged.

The value and consideration must be denominated in Rands (except in relation to a zero-rated supply).

The consideration and the VAT charged must be reflected on the tax invoice in one of the following approved formats:

Method 1 – All individual amounts reflected	
Price (excl. VAT)	R500
VAT @ 14%	R 70
Total including VAT	R570

Method 2 – Total consideration and the rate of VAT charged	
Total consideration	R570
VAT included @ 14%	

Method 3 – Total consideration and the amount of VAT charged	
Total consideration	R570
VAT included	R 70

Annexure E – Example of an agreement that a recipient and a supplier must enter into in order to satisfy the requirements of the BGR 15

The following is an **example** of an agreement that a recipient and a supplier must enter into in order to satisfy the requirements of BGR 15 (refer to **5.4** of this Note).

RECIPIENT-CREATED TAX INVOICE, CREDIT AND DEBIT NOTE AGREEMENT

This document constitutes an agreement between

Recipient's Legal Name & Trading Name

Recipient's VAT No:

and

Supplier's Legal Name & Trading Name:

Supplier's VAT No:

1. The recipient and the supplier hereby enter into an agreement in terms of which the supplier grants permission to the recipient to issue tax invoices, credit and debit notes for supplies made by the supplier to the recipient.
2. The recipient and supplier hereby declare that they are registered vendors in terms of the Value-Added Tax Act, No. 89 of 1991.
3. The recipient and the supplier acknowledge that sections 20(2) and 21(4) of the Value-Added Tax Act, No. 89 of 1991 make provision for the recipient to issue tax invoices, credit and debit notes for supplies made by the supplier to the recipient.
4. The recipient and the supplier further acknowledge that the Commissioner for the South African Revenue Service has issued guidelines regarding the requirements that must be satisfied before a recipient can issue tax invoices, credit and debit notes for supplies made by the supplier to the recipient and acknowledge that the supplies concerned comply with BGR (VAT) No. 15 (Issue 2).
5. The recipient hereby undertakes to –
 - 5.1 issue recipient-created tax invoices, credit and debit notes in compliance with the provisions of sections 20(4), (5), 21(1) or 21(3) of the Value-Added Tax Act, No. 89 of 1991, respectively;

5.2 provide to the supplier a recipient-created tax invoice, credit and debit note within the periods stipulated in the VAT Act; and

5.3 retain a copy of the recipient-created tax invoice, credit and debit note.

6. The supplier hereby undertakes not to issue any tax invoice, credit and debit note for taxable supplies falling within this agreement and further acknowledges that in the event that a tax invoice, credit and debit note is issued by the supplier, it shall be deemed not to be a tax invoice, credit and debit note for the purposes of the Value-Added Tax Act, No. 89 of 1991.

7. The recipient and the supplier undertake to notify each other if either party –

7.1 ceases to be a vendor;

7.2 changes its VAT registration number;

7.3 supplies its enterprise, or part of its enterprise; or

7.4 materially changes its enterprise that could affect this agreement.

Address of Recipient _____

Address of Supplier _____

signed in _____ on this _____ day of _____ 20__.

Recipient's Signature

Supplier's Signature

Date

Date

Witness of Recipient

Witness of Supplier

Date

Date