

VAT PRACTICE NOTE: NO 2

25 September 1991

Tax invoices, debit notes and credit notes (Sections 20 and 21 of the Act)

1. Supplier's VAT registration number

The supplier's VAT registration is required to be reflected on each tax invoice, debit note and credit note issued by him.

A vendor who has submitted his registration form prior to 30 September 1991 but who has not been issued with a registration number by 30 September 1991 must collect VAT on his taxable supplies made from 30 September 1991 and shall until 31 October 1991 be entitled to issue tax invoices, debit notes and credit notes without a registration number. Such tax invoices, debit notes and credit notes will constitute valid documents in terms of sections 20 and 21 of the Act notwithstanding the omission of the registration number.

The use of rubber stamps to print the supplier's VAT registration number and the words "tax invoice" on existing and new stationery will be permitted provided the other particulars required on the invoice are specified or special permission has been granted to omit one or more of the particulars.

2. Debit notes and credit notes - value of original supply

Section 21(3)(a)(v) and 21(3)(b)(v) of the Act require the debit note or credit note to reflect the value of the supply and the difference between the two amounts.

Because of the practical difficulties envisaged by many vendors, the requirement to reflect the original and correct values will be deleted. The debit note or credit note need therefore only reflect the amount of the debit or credit (as well as the tax on such amount and the inclusive amount of the debit or credit).

3. Copies of documents

Control over tax invoices, debit notes and credit notes is vital to the control of the claiming and accounting for input tax credit. For this reason the Act prohibits the issuing of more than one tax invoice for a particular taxable supply or more than one debit or credit note for a particular debit or credit adjustment to a taxable supply. (See proviso (i) to section 20(1) and proviso (A) to section 21(3) of the Act).

A supplier may, however, provide a recipient with a copy tax invoice, debit note or credit note where a vendor claims to have lost the original document. The replacement document must, however, be clearly marked "copy".

3.1 Facsimile copies of either the original document or the "copy" thereof will not be accepted as constituting a valid document held by the recipient for the purposes of claiming input tax credits.

3.2 Photocopies of the documents in question will be accepted as constituting valid documents held by the recipient for the purposes of claiming input tax credits, provided the photocopy is marked "copy" after it has been photocopied.

4. Alternative to tax invoice

Section 20(7)(b) of the Act enables the Commissioner to direct that subject to any condition he may consider necessary, a tax invoice is not required to be issued if he is satisfied that there are or will be sufficient records available to establish the particulars of the supply in question.

Where all the following conditions are complied with it will not be necessary to obtain a specific ruling in this regard:

4.1 the transactions in question consist of a number of progressive taxable supplies made by a registered vendor in accordance with a written contract for a supply of services which provides for a

regular payment of a determinable amount (i.e. rental / lease agreement for movable or immovable property, royalty agreement);

4.2 the recipient is in possession of the contract document;

4.3 the contract document contains the supplier's name, address and VAT registration number; or the supplier has provided the recipient with a supplementary document setting out these details; and

4.4 the recipient retains proof of payment of each regular amount in the form of bank statements or paid cheques.

5. Recipient created invoices (self-invoicing)

Self-invoicing procedures in respect of tax invoices, debit notes and credit notes are permitted in terms of sections 20(2) and 21(4) of the Act, subject to certain conditions. One of the conditions is that the Commissioner has granted prior approval for the procedures to be adopted.

5.1 In order to obtain such approval, fully motivated applications must in the first instance be addressed to the local Receiver of Revenue, who in cases of doubt will refer them to the Commissioner's office. All applications must:

- describe the nature of the businesses respectively carried on by the supplier and the recipient;
- provide a full description of the transactions in respect of which self-invoicing is required;
- specify the existing invoicing procedures being followed for such transactions;
- include an undertaking by the recipient that he will comply with the administrative requirements of sections 20(2) and 21(4) of the Act, and will obtain and retain the written agreement of each affected supplier who is a registered vendor as to the adoption of the self-invoicing procedures and written confirmation from each such supplier that he will not issue tax invoices, debit notes or credit notes in respect of the transaction in question.

5.2 Approval for self-invoicing procedures will not be granted where the purpose is merely to facilitate the obtaining of a tax invoice by the recipient. Approval will only be granted in the case of those industries and transactions where an effective self-invoicing system has traditionally been followed in the past. Typically this will only apply where the supplier is unable to issue an invoice at the time the goods or services are supplied, because the amount payable by the recipient can only be established after certain testing, measuring, administrative or control procedures have been undertaken by the recipient or some other party.

5.3 Examples of industries and transactions where approval is likely to be granted in terms of the above criteria are:

(a) Farmers

The supply of farming products to co-operative societies, food processing companies or other purchasers, where the price payable is determined by the recipient subsequent to delivery of the product.

(b) Sub-contractors

The supply of contracting services by a sub-contractor where the amount payable is only determined after certification or other procedure is undertaken by the recipient or a third party (architect, engineer, quantity surveyor, etc) as to the extent and/or value of the work actually completed.

(c) Commission agents

The supply of services by an agent where he receives a commission in respect of supplies of the principal's goods or services and the amount of the commission due is calculated by the principal based on his accounting records relative to such supplies.

(d) Licensees under royalty agreements

Where the calculation of the royalty or other fee payable is undertaken by the licensee based on factors set out in the agreement granting him the right to use the patent, trademark or copyright in question.

(e) Transport contractors

The supply of transport services in respect of goods where the amount payable is determined by the recipient based on his records as to the quantity, volume or weight of goods transported and the distance involved.

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