

## **BINDING GENERAL RULING (VAT): NO. 11 (ISSUE 2)**

DATE: 23 February 2016

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

**SECTIONS : SECTIONS 9, 10, AND 20**

**SUBJECT : USE OF AN EXCHANGE RATE**

### ***Preamble***

For the purposes of this ruling –

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

### **1. Purpose**

This BGR prescribes the foreign exchange rate that must be used when issuing tax invoices, debit notes or credit notes and determining the output tax due where the consideration for the standard-rated supply is in a foreign currency.

### **2. Issue**

The issue under consideration is the exchange rate that should be applied to determine the consideration in rands for purposes of complying with sections 20(4), (5) and 21(3) as well as for determining the vendor’s output tax liability.

### **3. Ruling**

A vendor is required to issue a –

- (a) tax invoice for a supply subject to VAT at the standard rate of 14% that complies with sections 20(4) or (5) in the currency of the Republic, within 21 days of the date of the supply. In addition to the requirements as set out in section 20(4) or (5) as the case may be, the vendor may also reflect the consideration for the supply in a foreign currency together with the relevant exchange rate on the tax invoice; and
- (b) credit or debit note for a supply subject to VAT at the standard rate of 14% that complies with section 21(3) in the currency of the Republic. In addition to the requirements contained in section 21(3), the vendor may also reflect the amount by which the value of the supply has increased or decreased in a

foreign currency together with the initial exchange rate as reflected on the corresponding tax invoice, on the credit or debit note.

In regard to issuing a tax invoice, credit or debit note, it will be acceptable to the Commissioner if vendors use one of the following options to determine the rand equivalent of the consideration for the supply:

- (i) The daily exchange rate<sup>1</sup> on the date the time of supply occurs.
- (ii) The daily exchange rate on the last day of the month preceding the time of supply.
- (iii) The monthly average rate for the month preceding the month during which the time of supply occurs.

The options listed in (ii) and (iii) above may not be used during exceptional circumstances where the equivalent rand value is distorted due to the exchange rate used. Examples include, but are not limited to, the collapse of a foreign currency or the fluctuation of a foreign currency of 10% or more within the month referred to in options (ii) and (iii) respectively. In these instances, the option under (i) must be used as soon as the vendor becomes aware of the distortion.

The exchange rate to be used by the vendor is the rate as published on the website of –

- the South African Reserve Bank;<sup>2</sup>
- Bloomberg;<sup>3</sup> or
- the European Central Bank.<sup>4</sup>

This ruling constitutes a BGR issued under section 89 of the Tax Administration Act No. 28 of 2011.

#### **4. Period for which this ruling is valid**

This BGR applies from date of issue until it is withdrawn, amended or the relevant legislation is amended.

To the extent that this BGR does not provide for a specific scenario in respect of the use of a specific foreign currency, vendors may apply for a VAT ruling or VAT class ruling in writing 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 Tax Administration Act, excluding section 79(4)(f) and (k) and (6), must be submitted.

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**Legal and Policy Division**  
**SOUTH AFRICAN REVENUE SERVICE**

Date of 1st issue : 1 September 2012

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<sup>1</sup> The exchange rate is the weighted average of the banks' daily rates at approximately 10:30 am.  
<sup>2</sup> [www.resbank.co.za/Research/Rates/Pages/SelectedHistoricalExchangeAndInterestRates.aspx](http://www.resbank.co.za/Research/Rates/Pages/SelectedHistoricalExchangeAndInterestRates.aspx).  
<sup>3</sup> [www.bloomberg.com/markets/currencies/cross-rates](http://www.bloomberg.com/markets/currencies/cross-rates).  
<sup>4</sup> [www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html](http://www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html).