

BINDING GENERAL RULING (VAT) 27 (ISSUE 2)

DATE: 30 September 2024

ACT : VALUE-ADDED TAX ACT 89 OF 1991
SECTION : SECTIONS 20(4), (5), (7), 21(1) AND (5)
SUBJECT : APPLICATION OF SECTIONS 20(7) AND 21(5)

Preamble

For purposes of this ruling –

- **“BGR”** means a binding general ruling issued under section 89 of the Tax Administration Act 28 of 2011;
- **“section”** means a section of the VAT Act;
- **“TA Act”** means Tax Administration Act 28 of 2011;
- **“VAT”** means value-added tax;
- **“VAT Act”** means the Value-Added Tax Act 89 of 1991; and
- any other word or expression bears the meaning ascribed to it in the VAT Act.

1. Purpose

This BGR sets out the circumstances and conditions under which –

- a vendor need not issue a tax invoice, credit- or debit note; or
- the particulars required on a tax invoice may be furnished in another manner.

2. Background

The VAT Act contains certain requirements and prescribes certain particulars that must be contained on a tax invoice, credit- or debit note (as the case may be). However, recognising that in certain industries and for certain transactions it may be challenging to comply with these prescribed particulars, the Commissioner has a discretion to approve deviations therefrom in certain circumstances.

3. Discussion

Under section 20(7) the Commissioner may direct that, subject to such conditions as may be prescribed, specified particulars in section 20(4) or (5) need not be contained on a tax invoice, or may be furnished in another manner, or that a tax invoice need not be issued.

Similarly, under section 21(5), the Commissioner may, subject to conditions as may be prescribed, direct that some of the particulars required under section 21(3)(a) or (b) need not be contained on a credit- or debit note (as the case may be).

The Commissioner must, however, be satisfied that there are, or will be, sufficient records available to establish the particulars of a supply or categories of supplies, and that it would be impractical to require a full tax invoice, credit or debit note (as the case may be), to be issued.

4. Ruling

This ruling constitutes a BGR issued under section 89 of the TA Act insofar as it relates to rulings under **4.1** to **4.3**.

4.1 Written contracts for the supply of goods or services

4.1.1 Approved circumstances

- (a) The Commissioner is satisfied that, in the circumstances under paragraph (b) below –
 - (i) it is impractical to require that a full tax invoice, credit- or debit note be issued; and
 - (ii) there are sufficient records available to identify the supplies if the transactions in question consist of a once-off supply, or a number of progressive or periodic taxable supplies made by a registered vendor in accordance with a written contract for a supply of goods or services which provides for a regular payment of a determinable amount.
- (b) The approved circumstances are as follows:
 - (i) Instalment credit agreements in respect of goods consisting of corporeal movable goods or of any machinery or plant, whether movable or immovable
 - (ii) Rental agreements for movable or immovable property
 - (iii) Royalty agreements
 - (iv) Short-term insurance

4.1.2 Tax invoices, credit or debit note not required

Subject to the approved circumstances in **4.1.1(b)**, and the requirements in **4.1.4**, the Commissioner directs under section 20(7)(b) and 21(5)(b) that a tax invoice, credit- or debit note is not required to be issued.

4.1.3 Specified particulars furnished in any other manner

Subject to the approved circumstances in **4.1.1(b)(i)**, and the requirements in **4.1.4**, the Commissioner directs under section 20(7)(c) that the particulars specified under section 20(4) and (5) may be furnished in –

- (a) the contract document; or
- (b) a combination of a tax invoice read with the contract document.

4.1.4 Requirements of the contract document¹

The Commissioner's direction in **4.1.2** and **4.1.3** in respect of the circumstances in **4.1.1**, is on condition that –

- (a) the recipient is in possession of the contract document which contains the following information:
 - (i) The names, addresses and VAT registration numbers of the supplier and recipient. The VAT registration number of the recipient will only be required if the recipient is a vendor. Furthermore, the name and VAT registration number of the recipient will not be required if the consideration for the supply does not exceed R5 000;
 - (ii) A description of the goods or services supplied; and
 - (iii) A statement that the supplies are charged with VAT at the applicable rate.
- (b) the supplier and recipient retain proof of payment of each amount paid if the relevant contract does not contain the consideration payable;
- (c) the contract mentioned above contains a statement that the contract complies with the Commissioner's direction under section 20(7) or 21(5), as the case may be;
- (d) the abovementioned contract which includes the relevant particulars must be retained for the period contemplated in compliance with section 55, read with Part A of Chapter 4 of the TA Act.

4.2 Description of the goods or services

- (a) Subject to the requirements under **4.2(b)**, the Commissioner will be satisfied that –
 - (i) it would be impractical to require that a full tax invoice, credit- or debit note be issued; and
 - (ii) there will be sufficient records available to identify the supplies if the full and proper description of the transactions in question are, due to practical or system constraints, or accepted industry practice, contained in a separate document.
- (b) The Commissioner directs under section 20(7)(c) that the full and proper description of the goods or services required under sections 20(4)(e) and (5)(d) may be contained in a separate document such as an Annexure, price list, stock list, contract etc subject to –
 - (i) the tax invoice containing a reference to the description of the supply which can be linked to the separate document containing the full and proper description, for example, software development, repair services, or a product code such as a commodity code or a part number;

¹ In the case of **4.1.3(b)**, the information prescribed in **4.1.4** need not be contained in the contract document to the extent contained on a tax invoice.

- (ii) such separate documents being available on request by the recipient or the South African Revenue Service (SARS);
- (iii) past, current and any updates being retained, to the extent that such separate documents are contained on a computer system, or any online resource such as a website; and
- (iv) copies of the relevant documents being retained for the period contemplated in compliance with section 55, read with Part A of Chapter 4 of the TA Act.

4.3 Quantity or volume of the goods or services

- (a) Subject to the requirements in **4.3(b)**, the Commissioner will be satisfied that –
 - (i) it would be impractical to require that a full tax invoice, credit- or debit note be issued; and
 - (ii) there will be sufficient records available to identify the supplies if the quantity or volume of the goods or services are, due to practical or system constraints or accepted industry practice contained in a separate document.
- (b) The Commissioner directs under section 20(7)(c) that the quantity or the volume of the goods or services required under section 20(4)(f) may be contained in a separate document such as an Annexure, a list, contract etc subject to –
 - (i) the tax invoice containing a reference to the quantity or volume which can be linked to the separate document, for example, a reference to a delivery note, list, contract etc containing the particulars;
 - (ii) such separate documents being available on request by the recipient or SARS; and
 - (iii) copies of such separate documents being retained for the period contemplated in compliance with section 55, read with Part A of Chapter 4 of the TA Act.

5 Period for which this ruling is valid

This BGR applies from 1 October 2024 until it is withdrawn, amended or the relevant legislation is amended. The requirement under **4.1.4(c)** must be met in respect of instalment credit agreements entered into on or after 1 January 2025.

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