

VAT CLASS RULING: VCR 002

DATE: 27 February 2024

ACT : VALUE-ADDED TAX ACT, 89 of 1991 (VAT Act)
SECTIONS : SECTION 16(2)(e), 16(3) AND 54(3)(a)(ii)
SUBJECT : RECORDS RELATING TO AGENCY

Preamble

This value-added tax (VAT) class ruling is published with the consent of the Applicants to which it has been issued and is binding only upon SARS and applies only to the Applicant and any Co-applicants. This ruling is published for general information and does not constitute a practice generally prevailing.

1. Summary

The Applicant contracts with Suppliers for the purchase of goods on behalf of the 52 subsidiaries.

2. Relevant tax laws

In this ruling, references to sections are to sections of the VAT Act applicable as at date of the ruling of which this is the sanitised version. Unless the context indicates otherwise, any word or expression in this ruling bears the meaning ascribed to it in the VAT Act.

This is a ruling based on the Commissioner's interpretation of the application of the following sections of the VAT Act:

- Section 16(2)(e)
- Section 16(3)
- Section 54(3)(a)(ii)

3. Parties to the application

Company A: A company incorporated in and a resident of the Republic

Company B: Subsidiaries of the Company and registered legal entities

4. Background

The Applicant and each of its 52 subsidiaries are separately registered VAT vendors in South Africa and registered legal entities.

The Applicant contracts with Suppliers for the purchase of goods on behalf of the subsidiaries, for which certain Suppliers grant incentives for large volumes of

purchases by the Applicant.

The Applicant passes on these large volume incentives to the subsidiaries in the form of a centralized incentive. In this regard the Applicant negotiates contracts with Suppliers for and on behalf of the subsidiaries.

The Applicant enters into a contract with the 52 subsidiaries in terms of which the Applicant undertakes to pay the Suppliers in their capacity as an agent on behalf of their principal (that is, the subsidiaries).

In terms of the agreement, the Applicant is required to furnish the individual subsidiaries with a monthly statement on the last day of each month, detailing the purchases facilitated for the month on behalf of the subsidiaries.

5. Conditions and assumptions

This VAT class ruling is subject to the Standard Terms, Conditions and Assumptions issued by the Commissioner, and the provisions of Chapter 7 of the Tax Administration Act 28 of 2011, excluding sections 79(4)(f), (k), (6) and 81(1)(b).

6. Ruling

The binding private/binding class ruling issued to the Applicant is as follows:

- (a) The Loan Account and the Tax Invoices are sufficient for the purpose of the statement contemplated in section 54(3)(a)(ii).
- (b) For purposes of section 16(3) read with section 16(2)(e), the individual subsidiary may, in respect of goods acquired by the Applicant on its behalf, deduct input tax based on the Loan Account and the Tax Invoices.

7. Period for which this ruling is valid

This VAT class ruling applies only in respect of the transaction set out above and is –

- (a) valid from date of issue;
- (b) applicable to transactions from 12 March 2020; and
- (c) valid until withdrawn or amended in terms of section 9 of the Tax Administration Act 28 of 2011.