

GENERAL NOTICE

NOTICE 2761 OF 1998
Gazette 19471 of 13 November 1998
South African Revenue Service

EXPORT INCENTIVE SCHEME IN TERMS OF PARAGRAPH (d) OF THE DEFINITION OF "EXPORTED" IN SECTION 1 OF THE VALUE-ADDED TAX ACT, 1991 (ACT No. 89 OF 1991)

The Export Incentive Scheme, which was originally published as General Notice No. 397 of 1992 in Government Gazette No. 13949 dated 27 April 1992, as amended by Notices No. 169 of 1993 (published in Government Gazette No. 14593 dated 26 February 1993) and 422 of 1998 (published in Government Gazette No. 18738 dated 11 March 1998), is hereby withdrawn and replaced by a new Export Incentive Scheme as from 16 November 1998. All rulings issued in terms of the previous Scheme are also withdrawn as from 16 November 1998.

A new Export Incentive Scheme, in terms of the provisions of paragraph (d) of the definition of "exported" in

section 1 of the Value-Added Tax Act, 1991 (Act No. 89 of 1991), has been approved by the Minister of Finance to come into operation on 16 November 1998 and particulars are hereby announced for general information.

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ACTING COMMISSIONER FOR THE SOUTH AFRICAN REVENUE SERVICE

VAT EXPORT INCENTIVE SCHEME

EXPORT INCENTIVE SCHEME IN TERMS OF PARAGRAPH (d) OF THE DEFINITION OF "EXPORTED" IN SECTION 1 OF THE VALUE-ADDED TAX ACT, 1991 (ACT No. 89 OF 1991)

Definitions

For the purposes of The Export Incentive Scheme (The Scheme), any word or expression to which a meaning has been assigned in the Act, bears the meaning so assigned thereto, and, unless the context otherwise indicates—

"Commissioner" means the Commissioner for the South African Revenue Service;

"designated commercial port" means a place of exit from the Republic which has been designated by the *Commissioner* as an exit point from the Republic (see paragraph 1.4);

"export depot" means the premises of a *qualifying purchaser's cartage contractor*;

"qualifying purchaser" means a qualifying purchaser as defined in paragraph 1.1 of The Scheme; and

"qualifying purchaser's cartage contractor" means a person who is registered under *the Act* as a vendor, transport being its main activity, and who has been engaged by the *qualifying purchaser* for a consideration in money to transport and deliver the movable goods to him at an address in an export country. For the purposes of The Scheme, *qualifying purchaser's cartage contractor* includes couriers and freight forwarders;

"registrable goods" means goods consisting of any aircraft, ship or other vessel, motor cycle or other vehicle, caravan or trailer in respect of which any form of registration is required under any law in force in the Republic or any similar law in force in an export country;

"RSA" means the Republic;

"RSA vendor" means a person registered in terms of *the Act*;

"**SARS**" means the South African Revenue Service;

"*standard rate*" means *tax* levied in terms of section 7(1) of *the Act*;

"*tax*" means the tax chargeable in terms of *the Act*;

"**tax invoice**" means a tax invoice as prescribed in section 20 of *the Act*;

"*the Act*" means the Value-Added Tax Act, 1991 (Act No. 89 of 1991);

"*VRA*" means a VAT refund administrator appointed by the *Commissioner* to administer the refund of *tax* in terms of Part One of The Scheme;

"**zero rate**" means the rate of *tax* levied in terms of section 11(1) of *the Act*.

[The above-mentioned definitions are printed in *italics* in The Scheme.]

INTRODUCTION

One of the principles of the South African VAT system is that VAT at the *standard rate* is imposed when movable goods are supplied in or imported into the *RSA* and VAT at the *zero rate* may be applied by a *RSA vendor* where movable goods are exported, provided satisfactory proof of export can be furnished.

Imports from and exports to countries **other** than Botswana, Lesotho, Namibia and Swaziland (the BLNS Countries) have been controlled since the introduction of VAT on 30 September 1991. As from 16 November 1998 imports from and exports to the BLNS Countries will also be controlled.

The term "exported" as referred to in section 11(1)(a) is defined in *the Act* in section 1, inter alia, as follows:

"exported', in relation to any movable goods supplied by any vendor under a sale or instalment credit agreement, means—

(a) consigned or delivered by the vendor to the recipient at an address in an export country as evidenced by documentary proof acceptable to the Commissioner; or

(b) ...

(c) ...

(d) removed from the Republic by the recipient for conveyance to an export country, in accordance with the provisions of an export incentive scheme approved by the Minister;".

A distinction must therefore be made between exports as defined in paragraph (a) and exports as defined in

paragraph (d). "Exported" as defined in paragraph (a) can be classified as "**direct exports**" and "exported" as defined in paragraph (d) as "**indirect exports**".

Direct exports (VAT Practice Note No. 1 of 1998 has been replaced by VAT Practice Note No. 2 of 1998):

Where a *RSA vendor* supplies movable goods and consigns or delivers them to a recipient in an export country he must, in terms of section 11(1)(a) read with paragraph (a) of the definition of "exported" in section 1 of *the Act* apply the *zero rate* (see VAT Practice Note No. 2 of 1998). The term "consigned or delivered" is defined in the Practice Note as follows:

" (i) physically delivered by the RSA vendor to the recipient at an address in the export country; or

(ii) where the RSA vendor uses a cartage contractor (supplier's cartage contractor) to deliver the goods on his (the RSA vendor's) behalf to the recipient at an address in an export country, **only** if the supplier's cartage contractor is contractually liable to the RSA vendor to effect delivery of the goods and the RSA vendor is liable for the full cost relating to such delivery."

Indirect exports (The Export Incentive Scheme):

Except as provided in Part Two of The Scheme, where the movable goods are delivered to the recipient in the *RSA*, VAT at the *standard rate* must be levied as from **16 November 1998**, irrespective of whether the movable goods are intended for consumption locally or in an export country. Where the movable goods are exported through a *designated commercial port*, facilities are available for the VAT to be refunded to the *qualifying purchaser* by the *VRA*, provided the requirements as set out in The Scheme are complied with.

The Export Incentive Scheme, [originally published as General Notice No. 397 of 1992 (in Government Gazette

No. 13949 dated 27 April 1992) and amended by Notices No. 169 of 1993 (published in Government Gazette No. 14593 dated 26 February 1993) and 422 of 1998 (published in Government Gazette No. 18738 dated 11 March 1998)], is now replaced in its entirety by The Scheme.

The Scheme:

(i) The Scheme requires, in Part One, that a supply of movable goods that are **not exported by the *RSA vendor* be taxed at the *standard rate*** and provides for the refund of the *tax* by the *VRA* only, at a *designated commercial port*, provided the requirements as set out in The Scheme are complied with.

(ii) The Scheme provides in Part Two for a choice by the *RSA vendor* to charge VAT at the *zero rate* or at the *standard rate*.

(iii) The Scheme also provides guidelines for a *qualifying purchaser* who exports movable goods to obtain a VAT refund and also for a *RSA vendor* to furnish purchasers with information in this regard.

The Scheme applies to **indirect exports** of movable goods but **does not include services**.

Services:

Where movable goods are temporarily admitted into the *RSA* for purposes of repair or servicing, the movable goods and services supplied in connection therewith may be supplied at the *zero rate*, provided that the non-resident must obtain a form VAT 262 at the point of entry into the *RSA*. The non-resident can then approach the *RSA vendor* from the outset on the strength of the VAT 262 form, duly endorsed by RSA Customs and Excise, and request that the supply be zero-rated. The form VAT 262 must be retained by the *RSA vendor* for a period of five years. The provisions relating hereto are contained in section 11(2)(g)(ii) of *the Act* and do not form part of The Scheme.

PART ONE

PROCEDURES FOR GRANTING OF REFUNDS OF TAX TO QUALIFYING PURCHASERS RESIDING IN OR CONDUCTING BUSINESS IN EXPORT COUNTRIES

1.1 QUALIFYING PURCHASERS

The Scheme applies where movable goods are supplied by a *RSA vendor* to a purchaser who is:

- A NON-RESIDENT:

"non-resident" means a person who is a non-RSA passport holder, who is **not in the RSA at the time of the supply**, who is a permanent resident of an export country and who orders movable goods from the *RSA* and has such goods exported on his behalf in accordance with the provisions of paragraph 1.3.4; **or**

- A TOURIST:

"tourist" means a person who is a non-RSA passport holder, who travels to the *RSA* on a **non-resident** travel document and exports movable goods from the *RSA* in accordance with the provisions of paragraph 1.3. Such person must be a permanent resident of an export country who is on a temporary visit to the *RSA*; **or**

- A FOREIGN ENTERPRISE:

"foreign enterprise" means an enterprise or business which is carried on continuously or regularly by any person (including *RSA* passport holders) in an export country in the course or furtherance of which goods and services are supplied to any other person for a consideration. **The foreign enterprise must submit appropriate evidence in the form of a trading licence as well as a letter of authorisation from the foreign enterprise authorising the specific person who exports the goods to claim a refund in accordance with the provisions of paragraph 1.3 on behalf of the foreign enterprise; or**

- A FOREIGN DIPLOMAT:

A refund in the case of a foreign diplomat will be considered only where a diplomat who was stationed in South Africa is departing from the *RSA* permanently upon conclusion of his/her term of duty and who is exporting the movable goods in accordance with the provisions of paragraph 1.3. The diplomat must be in possession of a letter from the relevant diplomatic or consular mission stating that he/she is departing from the *RSA* permanently. Refunds will not be considered in respect of *registrable goods* (e.g. vehicles). If the diplomat is entitled to a refund in respect of *registrable goods* in terms of section 68 of *the Act*, the diplomat should lodge the claim via the Protocol section of the Department of Foreign Affairs.

THE ABOVE-MENTIONED PERSONS ARE REGARDED AS "QUALIFYING PURCHASERS" FOR THE PURPOSE OF THE SCHEME.

No refund shall be made to foreign passport holders who have permanent resident status in the *RSA*. Where a person travels on a permit endorsed "accompanying husband/wife" the refund will depend on the status of the accompanied spouse (e.g. where the spouse has permanent resident status in the *RSA*, **no** refund shall be made).

1.2 RESPONSIBILITIES OF THE *RSA VENDOR*

1.2.1 *Tax* at the **standard rate** must be charged by the *RSA vendor* on movable goods supplied to a *qualifying purchaser*. Such *tax* must be accounted for in the usual way by the *RSA vendor*.

1.2.2 The *RSA vendor* must issue a *tax invoice*, hand the *tax invoice* to the *qualifying purchaser* and **may advise the purchaser:**

(i) that the procedures for obtaining a refund on movable goods exported will depend on **who** exports the goods and **which one** of the **designated commercial ports** is used to exit the *RSA*:

a) if exported by the *qualifying purchaser* himself via one of the *designated commercial ports* listed in paragraphs 1.4.1 or 1.4.2,

the procedures as stipulated in paragraphs 1.3.1 and 1.3.2 are applicable; or

b) if exported by the *qualifying purchaser* himself via one of the *designated commercial ports* listed in paragraph 1.4.3, the procedures as stipulated in paragraphs 1.3.1 and 1.3.3 are applicable; or

c) if exported by a *qualifying purchaser's cartage contractor* via any of the *designated commercial ports*, the procedures as stipulated in paragraphs 1.3.1 and 1.3.4 are applicable; and

(ii) that where the movable goods consist of **second-hand goods** and a notional input tax credit was claimed by the *RSA vendor* or any other person who is a connected person in relation to the *RSA vendor* when the goods were acquired, the refund (by the *VRA*) will represent only the amount of *tax* in excess of the notional input tax claimed. (These principles are contained in the proviso to section 11(1) read with the provisions of section 10(12) of *the Act*.)

1.2.3 The *RSA vendor* has no further responsibility with regard to the refund to be made by the *VRA*, other than to furnish information to *SARS* when called upon to do so.

1.3 RESPONSIBILITIES OF THE *QUALIFYING PURCHASER*

1.3.1 The *qualifying purchaser* must ensure that:

(i) the movable goods are exported via a *designated commercial port* (see paragraph 1.4) in accordance with the prescribed RSA Customs and Excise procedure, which requires that the relevant goods must first be declared at a RSA Customs and Excise Official (herein after referred to as Customs Official) before the *VRA* is approached for a refund. Customs Officials **will** be present at all the *designated commercial ports*; and

(ii) where the movable goods are exported via:

(a) one of the ports listed in paragraph 1.4.1 or 1.4.2 by the *qualifying purchaser* himself, that the procedures as stipulated in paragraph 1.3.2 are followed; or

(b) one of the ports listed in paragraph 1.4.3 by the *qualifying purchaser* himself, that the procedures as stipulated in paragraph 1.3.3 are followed; or

(c) any of the ports listed in paragraph 1.4 by a *qualifying purchaser's cartage contractor*, that the procedures as stipulated in paragraph 1.3.4 are followed.

1.3.1.1 A refund will be considered only where the VAT inclusive total of all purchases **exported at one time** exceeds R250 per *qualifying purchaser*.

1.3.1.2 No tax refund will be made where the *qualifying purchaser* exports the movable goods in terms of The Scheme after **90 days** from the date of the *tax invoice*.

1.3.2 MOVABLE GOODS EXPORTED VIA ONE OF THE PORTS LISTED IN PARAGRAPHS 1.4.1 OR 1.4.2 BY THE *QUALIFYING PURCHASER* HIMSELF

1.3.2.1 In order to qualify for a **tax refund** where movable goods are exported via one of the ports listed in paragraphs 1.4.1 or 1.4.2 **by the *qualifying purchaser* himself** the *qualifying purchaser* must, after **all** the procedures and requirements in

paragraph 1.3.1 have been met, present himself to a *VRA* Official or a Customs Official (depending whether the *VRA* is present at the specific *designated commercial port*), together with the movable goods and the *tax invoice*. The *VRA* or appointed Customs Official are situated after immigration control and therefore, (when departing from an airport or harbour) the movable goods and the *tax invoices* should be kept as part of the hand-luggage and not as part of the main luggage.

Should the movable goods be too large to be kept as hand-luggage and are transported as part of checked luggage, the *qualifying purchaser* must ensure that the *tax invoice* in relation to the relevant movable goods is endorsed by the Customs Official to the effect that the relevant movable goods have been inspected by the official prior to the movable goods being checked in as part of the main luggage. This endorsed tax invoice must then be presented to the *VRA* for a refund or handed in to the Customs Official, depending whether the *VRA* is present at the specific designated commercial port, **before departure**.

1.3.2.2 A *VRA* Official or a Customs Official, depending whether the *VRA* is present at the specific *designated commercial port*, must examine the movable goods to ensure that they correspond with the description thereof on the *tax invoice*. Each *tax invoice* must be endorsed and retained by the official.

1.3.2.3 The official will issue a VAT 255 summarising the *tax invoices* details. This form must be signed by the *qualifying purchaser* as confirmation of the correctness of the details it contains. A copy of this VAT 255 will be issued to the *qualifying purchaser* while the original VAT 255 and *tax invoices* will be retained by the official.

1.3.3 MOVABLE GOODS EXPORTED VIA ONE OF THE PORTS LISTED IN PARAGRAPH 1.4.3 BY THE *QUALIFYING PURCHASER* HIMSELF

Where movable goods are exported via one of the ports listed in paragraph 1.4.3 by **the *qualifying purchaser* himself**, he may, after the procedures and requirements in paragraph 1.3.1 have been met, request the *VRA* for a refund by submitting a letter (explaining his circumstances and stating his postal address) together with **all** the documents prescribed in paragraph 1.3.4.1 with the exception of number (iii), which is not required in these circumstances.

No tax refund will be made where:

- the movable goods were exported more than **90 days** from the date of the *tax invoice*; or
- the request for a refund together with all the documentation is received by the *VRA* later than **3 months** after the date of export.

1.3.4 MOVABLE GOODS EXPORTED BY A *QUALIFYING PURCHASER'S* CARTAGE CONTRACTOR VIA ANY OF THE PORTS LISTED IN PARAGRAPH 1.4

Where the *RSA vendor* delivers the movable goods to an *export depot*, a harbour, an airport, a railway station or a courier service in the *RSA*, or the *qualifying purchaser's cartage contractor* takes possession of the movable goods at the premises of the *RSA vendor*, or the *qualifying purchaser* or his agent delivers the movable goods to an *export depot*, from where the movable goods are exported via any of the ports listed in paragraph 1.4 to the *qualifying purchaser* at an address in an export country, the *qualifying purchaser* may apply for a refund.

After all the procedures and requirements in paragraph 1.3.1 have been met and only after the *qualifying purchaser* has received the movable goods, can he request the *VRA* for a refund by submitting a letter (explaining his circumstances and stating his postal address) together with **all** the documents prescribed in paragraph 1.3.4.1.

No tax refund will be made where:

- the movable goods were exported more than **90 days** from the date of the *tax invoice*;
- the movable goods were exported via a port other than the *designated commercial ports* listed in paragraph 1.4; or
- the request for a refund together with all the documentation is received by the *VRA* later than **3 months** after the date of export.

1.3.4.1 Documentation:

Where movable goods are exported by a *qualifying purchaser's cartage contractor* by road, sea, air or rail, the following documentation is required:

- (i) the original *tax invoice*;
- (ii) a copy of the *qualifying purchaser's* :
 - (a) passport; or
 - (b) trading license, as well as the letter of authorisation and a copy of the authorised person's passport; or
 - (c) passport and the relevant letter as stipulated in paragraph 1.1 under the heading "**Foreign diplomats**"; and
 - (d) where the *qualifying purchaser* was in the *RSA* at the time of purchase, the copy of his passport must include those pages reflecting the following:
 - endorsement reflecting entry into the *RSA*; and
 - endorsement reflecting exit from the *RSA*;
- (iii) a copy of the invoice from the *qualifying purchaser's cartage contractor* to the *qualifying purchaser*; and
- (iv) proof that the *qualifying purchaser* declared the movable goods for customs purposes in the export country;

Where the *tax invoice* is endorsed at one of the ports listed in paragraph 1.4.3, the following documentation must also be submitted:

- (v) a copy of the export documentation prescribed under the Customs and Excise Act, 1964 bearing an original *RSA* Customs and Excise endorsement; **and**
- (vi) in the case of **export by air**: a copy of the airway bill as well as the flight number and the date and place of departure; **or**

in the case of **export by sea**: a copy of the bill of lading which must contain a full description of the movable goods to be exported. In the case where the movable goods of more than one person are exported in one consignment and only one bill of lading is issued, such bill of lading must be accompanied by an annexure issued by a clearing agent containing a full description of the movable goods supplied by each vendor. This description must specify the quantity or mass, as well as the value of the relevant movable goods; **or**

in the case of **export by rail**:

- a copy of the freight transit order issued by Spoornet; and

- a copy of the combined consignment note and invoice issued by Spoornet.

1.3.5 IN CASES WHERE ALL THE ABOVE REQUIREMENTS (PARAGRAPH 1.3) ARE NOT ADHERED TO, THE REFUND CLAIM WILL BE INVALID IN TERMS OF THE SCHEME.

1.4 *DESIGNATED COMMERCIAL PORTS*

Movable goods must be exported via a *designated commercial port*. Should none of the *designated commercial ports* listed below be used, the claim will be invalid and will not be refunded.

The export of movable goods as well as the declaration of such goods at ports other than those ports listed below, may be allowed in **exceptional** circumstances on application to and after approval by the Controllers of RSA Customs and Excise.

1.4.1 *Designated commercial ports (VRA not present):*

- **Harbours:** Cape Town; Durban; East London; Port Elizabeth; Richards Bay; and

- **Airport:** Lanseria

1.4.2 *Designated commercial ports (VRA present):*

- Border Posts: Beit Bridge; Caledonspoort; Ficksburg Bridge; Golela; Groblers Bridge; Jeppes Reef; Kopfontein; Lebombo; Mahamba; Mananga/Border Gate; Maseru Bridge; Nakop/Narogas; Nerston; Oshoek; Qacha's Nek; Ramatlabama; Skilpadshek; Van Rooyenshek; Vioolsdrift; and

- **International Airports:** Cape Town; Durban; Johannesburg.

1.4.3 *Other designated commercial ports (VRA not present):*

- Airports: Bloemfontein; Gateway (Pietersburg); Nelspruit; Mmabatho; Port Elizabeth; Upington;

- Harbours: Mossel Bay; Saldanha; and

- **Railway Stations:** Germiston; Golela; Maseru Bridge; Mafikeng and Upington.

1.5 THE REFUND

The refund in terms of section 44(9) of *the Act* can be effected by the *VRA* on departure or forwarded to the *qualifying purchaser*.

The refund cheque which will be issued in RSA currency, will be valid world-wide (except in the *RSA*) for a period of three months from the date of issue: Provided that in the case of Botswana, Lesotho, Namibia or Swaziland the cheques will be valid only in the country of residence of the claimant and in the case of Botswana, refunds will be in the currency of that country.

If all the requirements have been met at the time of departure from one of the *designated commercial ports* **where the VRA is present** (see paragraph 1.4.2) a refund limited to an amount as determined by the *Commissioner* may be paid immediately by the *VRA* office at that *designated commercial port*.

Where—

- the claim is for a higher value than that as determined by the *Commissioner*;
- the *VRA* has decided that the claim must first be authorised by the *Commissioner*;
- a claim is handed in to a Customs Official at a *designated commercial port* where the *VRA* is not present;
- the claim is a claim as described in paragraphs 1.3.3 or 1.3.4;
- the claim is in respect of second-hand goods; or
- the claim is in respect of *registrable goods*,

the refund will be forwarded to the *qualifying purchaser* by the *VRA*.

The cheque will be issued and forwarded to the address on the VAT 255 or as stated in the *qualifying purchaser's* letter, **only after**:

- the *Commissioner* has approved the claim; or
- the *Commissioner* has determined the amount refundable in the case of second-hand goods (if the movable goods consist of second-hand goods and a notional input tax credit was claimed by the *RSA vendor* or any other person who is a connected person in relation to the vendor, when the goods were acquired, the refund will represent only the amount of *tax* in excess of the notional input tax claimed. These principles are contained in the proviso to section 11(1) of *the Act* read with the provisions of section 10(12) of *the Act* and must be applied in these circumstances); or
- proof of registration in the export country concerned (in the form of a copy of the registration certificate, certified by a commissioner of oaths), is submitted to the *VRA* in the case of *registrable goods*.

1.6 COMMISSION IN RESPECT OF REFUNDS

The *VRA* will deduct a commission from the *tax* refundable to the *qualifying purchaser* to cover the administration costs of The Scheme. In terms of the tender the commission will be calculated at a rate of 1,5 per cent of the VAT inclusive price, with a minimum charge of R10 and a maximum charge of R250 per refund.

PART TWO

PROCEDURES FOR THE *RSA VENDOR* WHO ELECTS TO SUPPLY MOVABLE GOODS AT THE *ZERO RATE* TO A *QUALIFYING PURCHASER*, WHERE THE MOVABLE GOODS ARE INITIALLY DELIVERED TO A HARBOUR, AN AIRPORT, OR ARE SUPPLIED BY MEANS OF A PIPELINE OR ELECTRICAL TRANSMISSION LINE IN THE *RSA* BEFORE BEING EXPORTED

2.1 Where the *RSA vendor* supplies the movable goods to a *qualifying purchaser* (see paragraph 1.1) and the *RSA vendor* ensures that the movable goods are delivered (irrespective of the contractual conditions of delivery) to any of the **harbours or airports** listed in paragraph 1.4 from where the movable goods are to be exported by the *qualifying purchaser*, the *RSA vendor* can decide to *zero rate* the supply. The decision to supply at the *zero rate* is entirely subject to the *RSA vendor's* choice.

Where movable goods are exported by means of a pipeline or electrical transmission line the *RSA vendor* supplying such goods can decide to *zero rate* the supply. The decision to supply at the *zero rate* is entirely subject to the *RSA vendor's* choice: Provided that he shall obtain, in writing, permission from the *Commissioner* to apply the zero rate and he shall furnish the Commissioner with such documentary proof of export as stipulated by the *Commissioner*.

2.1.1 Should the *RSA vendor* decide not to apply the *zero rate*, the supply is taxable at the *standard rate* and the *qualifying purchaser* can, in the case of delivery to a harbour or an airport, apply for a refund according to the procedures as prescribed in paragraph 1.3.4.

Where movable goods are exported by means of a pipeline or electrical transmission line and the supply is taxed at the *standard rate*, the *qualifying purchaser* can apply for a refund: Provided that he shall furnish the *Commissioner* with such proof of export as stipulated by the *Commissioner*.

2.1.2 With the decision to supply at the *zero rate*, the *RSA vendor* accepts:

(i) the responsibility to ensure that the movable goods have been delivered to any of the **harbours or airports** listed in paragraph 1.4;

(ii) that he is responsible for obtaining the necessary documentary proof (as prescribed according to the Customs and Excise Act, 1964, containing an original endorsement by the RSA Customs and Excise) from the Controller of the RSA

(iii) that he must comply with the procedures as stipulated in paragraphs 2.2 and 2.3.

2.2 The *RSA vendor* who elects to supply movable goods under the circumstances and provisions described in paragraph 2.1 at the *zero rate*:

2.2.1 must ensure that the *zero rate* is not applied in respect of supplies of **second-hand goods** if a notional input tax credit was claimed by the *RSA vendor* or any other person who is a connected person in relation to the vendor when the goods were acquired. In terms of the proviso to section 11(1) read with the provisions of section 10(12) of *the Act*, tax is chargeable, to the *qualifying purchaser*, equal to the notional input tax credit claimed by the *RSA vendor*. Such VAT shall not be refunded;

2.2.2 must furthermore retain and carefully preserve for a period of five years the following:

(i) his copy of the zero-rated tax invoice or the *tax invoice* showing tax equal to the notional input tax credit claimed, as issued by himself;

(ii) a copy of the *qualifying purchaser's* passport or trading license, or of the passport and the relevant letter as stipulated in paragraph 1.1 under the heading "**Foreign diplomats**";

(iii) the *qualifying purchaser's* order or the contract between himself and the *qualifying purchaser*; and

(iv) proof of payment for the movable goods by the *qualifying purchaser*.

2.3 In the event of **all** the documentation referred to in paragraph 2.1.2 (ii) and 2.2.2 not having been obtained by the *RSA vendor* by the last day of the tax period which ends after the expiry of a period of **two months** calculated from the date of the relevant *tax invoice*, the supply will be deemed to be at the *standard rate*. **The *RSA vendor* must** consequently calculate output tax by applying the tax fraction to the consideration (the selling price is deemed to include tax (see section 64(1) of *the Act*), and include the amount of output tax so calculated in Block 12 of the

return for remittance (form VAT 201) rendered for the tax period in which the said period of two months ends.

2.3.1 Should the *RSA vendor* receive the documentation in respect of which output tax was calculated in terms of paragraph 2.3 within **one year** from the date of the original *tax invoice*, the amount previously included in Block 12 of form VAT 201 may be claimed as an input tax credit in Block 18, for the tax period in which this documentation is received.

2.3.2 Should the *RSA vendor* experience difficulties in obtaining the required proof of payment, both the periods referred to above in paragraphs 2.3 and 2.3.1 may be extended by the Receiver of Revenue where the *RSA vendor* is on register, with a maximum period of **four months**. This is only applicable with regard to the proof-of-payment requirement in respect of the movable goods supplied.

2.3.3 The rate of tax applicable for purposes of paragraphs 2.3 and 2.3.1 is the rate of tax in force at the date of issue of the *tax invoice*.