

Frequently Asked Questions

Domestic Reverse Charge Regulations

Issue 4



Value-Added Tax

A VAT domestic reverse charge (DRC) on valuable metal was introduced in the regulations published in *Government Gazette* (GG) 46512 on 8 June 2022. See Regulations on Domestic Reverse Charge Relating to Valuable Metal, issued under of section 74(2) of the Value-Added Tax Act, 1991 (Act 89 of 1991), Notice 2140 (the DRC Regulations). The DRC Regulations came into effect on 1 July 2022. Amendments to the DRC Regulations were made as published in GG 50642 on 10 May 2024 (Notice 4793) and came into effect on 1 January 2024 (the amendments). These amendments mainly related to the definition of “valuable metal” and “residue” as well as to certain administrative requirements regarding documentation. Subsequently, a further amendment has been made to the definition of “valuable metal” in GG 52295 published on 14 March 2025 (Notice 5995) that came into effect on 1 April 2025 (the subsequent amendment).

The information in these Frequently Asked Questions (FAQs) is based on the VAT Act and the Tax Administration Act 28 of 2011 (the TA Act) as at the time of publication and includes the amendments contained in the –

- Taxation Laws Amendment Act 42 of 2024;
- Tax Administration Laws Amendment Act 43 of 2024;
- Rates and Monetary Amounts Amendment Act 45 of 2024;
- Revenue Laws Second Amendment Act 44 of 2024; and
- Revenue Laws Amendment Act 12 of 2024.

But for the Revenue Laws Amendment Act that was promulgated on 4 June 2024 as per GG 50750, all the other Acts were promulgated on 24 December 2024 as per GGs 51826, 51827, 51829, and 51828, respectively.

The frequently asked questions (FAQs) in this document have been compiled on the basis of questions that vendors and the public at large have or are likely to have about the implications of the DRC Regulations and the various amendments relating to these Regulations.

The FAQs are drafted purely to assist vendors and the public at large to obtain clarity and to ensure consistency on certain practical and technical aspects relating to the DRC Regulations. The FAQs are therefore not intended to be used as legal reference.

The FAQs and the SARS landing page (**VAT regulations on Domestic Reverse Charge relating to valuable metal**) will be updated periodically to address questions. In light of this, it is not envisaged that VAT Rulings in relation to the DRC Regulations will be issued.

All other FAQs, forms, guides, interpretation notes, notices, and rulings referred to in these FAQs are, unless indicated others, the latest issues available on the **SARS website** or via eFiling at **www.sarsefiling.co.za** (guides only).

Leveraged Legal Products
SOUTH AFRICAN REVENUE SERVICE
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	Question	Answer
1.	Why were the Domestic Reverse Charge (DRC) Regulations introduced?	The DRC Regulations were introduced as a mechanism to curb the use of the value-added tax (VAT) system as a tool to enable the legitimisation of gold where such gold was sourced by illegal means and thereby to stop the registration of a chain of fictitious businesses to secure undue VAT refunds.
2.	What is the effective date of the DRC Regulations as well as the amendments and subsequent amendments to these regulations?	1 July 2022, 1 January 2024, and 1 April 2025, respectively.
3.	What is the implementation date?	<p>A transition period of one month from 1 July 2022 (the effective date of the DRC Regulations) was allowed for affected vendors to ensure that they made the necessary adjustments to invoicing, accounting systems and other requirements under the DRC Regulations.</p> <p>In light of the invoicing and system practicalities and the circumstances prevailing, the DRC Regulations apply to all supplies of valuable metal from 1 August 2022. All affected vendors were required to have their systems updated during the transition period provided. Also see Questions 35 and 38.</p> <p>Regarding the amendments to the DRC Regulations, the view is held that transactions that have a time of supply before 10 May 2024, must be treated in accordance with the DRC Regulations before the amendments. Affected vendors are given time until 30 June 2024 to amend their systems and issue the correct documentation. Therefore, supplies made from 1 July 2024 must comply with the amended DRC Regulations. The subsequent amendments are effective from 1 April 2025. See Question 25.</p>
4.	Who do the DRC Regulations apply to?	The DRC Regulations apply to all vendors that buy and sell gold and goods containing gold in the specified forms as provided in the definition of “valuable metal” as defined in regulation 1.

		<p>Examples of affected vendors are mines, manufacturing businesses, dealers in gold, dealers in second-hand goods (especially those that buy and sell jewellery), gold scrappers, manufacturing, wholesale and retail jewellers, vendors that consume or use gold to manufacture articles containing gold, and coin shops. See also Question 6 for exclusions to the definition of “valuable metal”.</p>
<p>5.</p>	<p>When does a supply fall within the DRC?</p>	<p>For a supply to fall within the parameters of the DRC, the following four requirements must be met:</p> <ul style="list-style-type: none"> • The supplier must be a registered vendor. • The recipient must be a registered vendor. • The supply must be of a “valuable metal” as defined – see Question 6. In short, the good must contain gold and must be in the forms specified in the said definition. • The supply must be taxable at the standard rate, which is currently 15%. This means that any supply that is zero-rated, such as the export of a valuable metal, does not fall in the DRC. <p>If any of these four requirements are not met, the supply is not subject to the DRC but is rather subject to the normal provisions of the VAT Act.</p>
<p>6.</p>	<p>What is “valuable metal”?</p>	<p>Any goods containing gold in the form of jewellery, bars, blank coins, ingots, buttons, wire, plate, sponge, powder, granules, in a solution, sheet, tube, strip, rod, residue or similar forms, including any ancillary goods or services but excluding supplies –</p> <ul style="list-style-type: none"> • contemplated in section 11(1)(f), (k) or (m) of the VAT Act; that is, the supply – <ul style="list-style-type: none"> ➤ to certain entities such as the South African Reserve Bank (SARB) and banks of gold in specified forms such as bars, blank coins, ingots, buttons, wire, plate or granules or in a solution, which has not undergone any manufacturing process, save the refining, manufacture or production of the specified forms; ➤ of gold coins issued by SARB; and

		<ul style="list-style-type: none"> ➤ of certain movable goods to a customs controlled area enterprise or a Special Economic Zone (SEZ) operator which are physically delivered to such customs controlled area enterprise or SEZ operator; • of valuable metal containing less than 1% of gold in gross weight; and • jewellery plated with gold where the gold is present as a minor constituent only. <p>Before 1 April 2025, “valuable metal” excluded supplies of goods produced from raw materials by any “holder” as defined in section 1 of the Mineral and Petroleum Resources Development Act 28 of 2002 (MPRDA), or by any person contracted to such “holder” to carry on mining operations in respect of the mine where the “holder” carries on mining operations.</p>
7.	What forms of goods containing gold are subject to the DRC?	The goods that contain gold must be supplied in one of the forms listed in the definition of “valuable metal” and as set out in Question 6 . This means that the good that is supplied must be in the form of jewellery, a bar, blank coin, ingot, button, wire, plate, sponge, powder, granule, in a solution, sheet, tube, strip, rod, residue or similar form.
8.	What is “residue”?	The term is defined in the DRC Regulations and includes debris, discard, tailings, slimes, screening, slurry, waste rock, foundry sand, beneficiation plant waste or ash derived from, or incidental to, a mining operation.
9.	A refinery recovers the gold content from various waste products, other than waste derived from mining operations, such as jeweller’s or dental waste. Goods are received for refining in parcels that may consist of non-mining and mining waste. Who must account for the sale of these waste products if the content cannot be split into waste from mining operations and those from non-mining products?	To the extent that a supply of waste cannot be split between waste received from mining operations, and waste from non-mining operations, the recipient and the supplier must agree in writing, to the recipient accounting for the supply under the DRC Regulations as a supply of “valuable metal”.
10.	What does the term “similar forms” in the definition of “valuable metal” refer to?	The term refers to those goods that have similar qualities, characteristics or appearances to those forms already listed. In short, the supply of goods that are alike to the specified forms, but not identical, should fall within the ambit of the DRC.

11.	What is included in “ancillary goods or services”?	<p>The term “ancillary goods or services” is not defined but refers to a supply of goods or services that are supplied together with the good containing gold and has a sufficient link to the supply of the said good, which would not have been made to the recipient, in the absence of the supply of the valuable metal.</p> <p>The supply of “ancillary goods or services” on its own, is not subject to the DRC. For example, when a person brings in a wristwatch to a jeweller for cleaning and polishing. Other examples are packaging, alteration, beneficiation services or things such as storage services and other ancillary goods or services supplied together with the good containing the gold.</p>
12.	Are fees charged for assembling, design, engraving, finishing, manufacturing or moulding of valuable metal, part of the consideration payable for valuable metal as “ancillary goods and services”?	<p>Yes, if the supplier supplies the good containing gold together with these services, the full value charged relates to the supply of "valuable metal" subject to the DRC.</p>
13.	If I sell a bracelet consisting mainly of platinum, with a small amount of gold, is the supply subject to the DRC?	<p>Before the amendments, the quality and content of the gold contained in the good were of no relevance for purposes of the DRC. The DRC applied to any good that contained gold, regardless of the quality, quantity or content of the gold contained in the good. In terms of the amendments, a <i>de minimis rule</i> has been introduced, resulting in valuable metal containing less than 1% of gold in gross weight being excluded from the ambit of the DRC Regulations. See Question 6.</p>
14.	Is the sale of a finished gold product, for example, a diamond tennis bracelet, included in the DRC or is it excluding the value of the diamonds in the bracelet?	<p>The supply of the entire bracelet (including the diamonds) constitutes “valuable metal”. It is thus not only the value of the gold element that is subject to the DRC.</p>
15.	Does concentrate fall under the DRC Regulations?	<p>Yes, it falls under “similar forms”.</p>

16.	Does carbon or coal fall under the DRC Regulations?	The supply of carbon or coal itself generally does not contain gold and therefore falls outside the parameters of the DRC Regulations. However, if the coal or carbon is used as a mechanism to safely package and transport a solution that contains gold, the supply of this solution falls under the DRC. The coal or carbon would then form part of the supply that falls under the DRC Regulations. See Questions 11 and 12 .
17.	Does the purchase of silver scrap containing gold content that is immaterial and not charged for, comprise “valuable metal” as defined?	Before the amendments, the quality, quantity or content of the gold did not matter, as the supply was of a good containing gold. The entire supply of the silver scrap was subject to DRC. However, in terms of the amendments, a <i>de minimis rule</i> has been introduced, resulting in valuable metal containing less than 1% of gold in gross weight being excluded from the ambit of the DRC Regulations. See Question 6 .
18.	How will the DRC impact pawnshops that also deal in second-hand jewellery etc that contains precious metals?	To the extent a pawnshop deals in gold products, it must follow the validation process. Supplies of “valuable metal” made to registered vendors, are subject to the DRC. Supplies to non-registered vendors are not subject to the DRC, but will be subject to VAT under the normal rules.
19.	Does the DRC affect notional input tax claims?	No , the DRC applies only to supplies of valuable metal between registered vendors (suppliers and recipients) whereas notional input tax is allowed only when goods are acquired from non-vendors. See guidance on second-hand goods consisting of gold in Binding General Ruling 43 “Deduction of Input Tax in respect of Second-hand Gold”.
20.	Do I need to show the DRC inputs (accumulated from my supplier invoices) separately on my VAT 201 return when selling to the public?	The purchase of a valuable metal and subsequent sale of the said valuable metal are two different transactions for VAT. For the sale transaction, the DRC is applicable only on supplies between registered vendors. Therefore, the DRC will not apply to sales made to the public, which are generally not registered vendors. The retail jeweller will still be liable to levy VAT and reflect such on its tax invoice issued and submit VAT returns as normal.

		<p>The DRC will apply to the purchase transaction if the goods were acquired from a registered vendor. The DRC does not take away the recipient's entitlement to deduct input tax. The recipient will be required to declare the VAT on the supply of the goods on behalf of the supplier (see regulation 6(b)) in Field 12 of its VAT 201 return) and then simultaneously be entitled to make the input tax deduction in Field 18 of its VAT 201 return. Doing it in this manner results in a VAT neutral position.</p> <p>The supplier in this instance will, however, still be required to declare the value of the goods supplied subject to the DRC in Field 3 of its VAT 201 return.</p>
21.	If an invoice has both loose diamonds and finished jewellery, will there be a need to have a line for VAT on the loose diamonds and separately for the goods that are subject to the DRC at the bottom of the invoice?	Yes.
22.	Does broken jewellery fall within the definition of "valuable metal"?	Yes , the view is held that broken jewellery does not change its nature and remains jewellery.
23.	Will vendors that are selling to other vendors as well as the general public need to track the split in their sales between sales to vendors and the general public?	Yes , vendors will have to keep records to track the split, as both the supplier and recipient have different responsibilities for normal supplies vs supplies under the DRC. Supplies to the general public that are not registered vendors, are not subject to the DRC. The supplier must keep a list of all supplies subject to the DRC [see regulation 2(f)].
24.	Would local VAT-registered vendors selling valuable metal to registered vendors fall under the DRC even if all their products are imported?	<p>Yes, the origin of the product is not important for purposes of the DRC. The test is rather whether the supply of the goods (being a "valuable metal" as defined in the DRC) is supplied by a registered vendor to a recipient which is also a registered vendor.</p> <p>The importation itself would not be subject to the DRC, on the basis that it is acquired from a foreign supplier that is not a registered vendor.</p>
25.	When must the supplier and recipient respectively account for supplies subject to the DRC?	The supplier must issue a tax invoice and account for the VAT-exclusive value of the valuable metal in Field 3 of the VAT 201 return for the tax period in which the time of supply is triggered (generally the earlier of payment received or invoice issued).

		The recipient must account for the VAT on the supply of valuable metal in Field 12 on the VAT 201 return for the tax period in which the tax invoice in respect of the supply of valuable metal is held by the recipient. The recipient may deduct the VAT so declared and reflect same in Field 18 of the VAT 201 return, subject to the normal documentary requirements for input tax.
26.	Must a purchaser first physically pay the VAT (reverse charged) to SARS?	No , the DRC does not require the purchaser who is a vendor to first pay the VAT. However, the seller must reflect the value of the sale on its VAT 201 return under Field 3 . The output tax (Field 12) and input tax (Field 18) is accounted for on the recipient's normal VAT 201 return, and the recipient will calculate the VAT payable to, or refundable by, SARS as normal. Depending on whether the return results in a refund or a payment, the normal rules for the payment of tax or the refund of tax apply.
27.	When can a purchaser claim the input tax?	In the tax period in which the recipient is in possession of a valid tax invoice. Input tax is not deductible if the output tax in Field 12 in respect of the purchase, is not declared, irrespective of whether payment for that supply is made to the supplier.
28.	What wording must be contained in the statements to be included in invoices, credit notes and debit notes?	The DRC Regulations do not contain prescribed wording, save to say that there must be a statement that the supply is subject to the DRC (see regulation 4).
29.	What should the layout of invoices, credit notes and debit notes look like if VAT is charged but not included in the total payable by the purchaser?	The DRC Regulations do not prescribe these.
30.	Is the list of all supplies of valuable metal that are subject to the DRC that must be kept by the supplier and the statement to be provided by the purchaser to the supplier, the same?	No , the first is a list that must be kept by the supplier under regulation 2(f), and the second is a statement that must be issued by the recipient to the relevant supplier under regulation 3(e).
31.	Regulation 3(a) requires that the recipient of a supply of valuable metal furnishes the supplier with proof that the recipient is a registered vendor for VAT purposes. Is this required for each supply or once for each supplier?	The DRC Regulations do not specify that this is a requirement for each supply. However, the supplier and recipient must have control measures in place to ensure that the counter-party's registration status is updated, if applicable.

32.	Under regulation 3(c), the DRC is accounted for only in the tax period in which the recipient obtains or creates a tax invoice, irrespective of when payment or part-payment was made. If no tax invoice with the required information in section 20(4) and regulation 4 is obtained, must the recipient account for the VAT charged by the supplier?	<p>If the recipient is in possession of a tax invoice stating that the supply is subject to the DRC, the recipient is required to account under the DRC.</p> <p>Should the tax invoice be deficient for purposes of deducting input tax, for example, the recipient's VAT registration number is not on the tax invoice, the recipient must request the supplier to correct same [see section 20(1B)].</p> <p>The recipient can deduct the input tax only once in possession of a tax invoice that complies with section 20. See Question 27.</p>
33.	If a valid tax invoice for the supply of valuable metal is obtained, must the VAT be accounted for accordingly in that tax period, notwithstanding the fact that the invoice may be disputed?	Yes , see Question 25 .
34.	Is the number of days referred to in regulation 3(e) calendar days or business days?	Calendar days.
35.	How do the transitional rules work?	For details on how the transitional rules work for different categories of tax periods, please click on this link, VAT DRC transitional measures , available on the landing page (VAT regulations on Domestic Reverse Charge relating to valuable metal) on the SARS website . Also see Question 3 .
36.	I am a supplier of valuable metal to a registered vendor that will be unable to account for these supplies due to system constraints. Can I continue levying and accounting for VAT on supplies made to this vendor?	No , the supplier and the recipient are required to comply with the DRC Regulations. If there is a failure to comply, the supplier and the recipient are jointly and severally liable for any loss suffered by the <i>fiscus</i> . The supplier, however, will not be held liable, should the supplier satisfy the Commissioner that reasonable steps were followed to comply with the relevant obligations (see regulation 7).
37.	Do I need to wait for my validation certificate before I commence complying with the DRC Regulations?	No , regardless of whether you have received any correspondence from SARS regarding re-validation, you are required to comply with the DRC Regulations as stipulated in Question 3 . The onus remains on the vendor to re-validate their registration status.

38.	When will I get feedback or progress updates regarding my re-validation?	You will not receive progress updates regarding your re-validation but may receive requests for further information. Once the re-validation process is completed, you will be informed whether or not your re-validation has been successful. Should your re-validation be incomplete or deficient in any way, you will be required to re-apply with the correct or updated information. An incomplete or deficient re-validation request does not mean that you are exempt from applying the DRC Regulations.
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