

VAT PRACTICE NOTE: NO 12

24 November 1993

The zero-rated supply of brown bread

This practice note is being issued to avoid problems of interpretation in relation to the provisions of section 11(1)(j) of the Value-Added Tax Act, 1991, read with the Second Schedule to the Act, in terms of which brown bread is subject to VAT at the zero rate.

Brown bread is, in terms of the Second Schedule, brown bread as defined in Regulation 1 of the Regulations in terms of Government Notice Nr R. 577 published in Government Gazette Nr 13074 of 15 March 1991. This Regulation provides that brown bread, subject to the allowable deviations, shall consist of a dough made from brown wheaten meal and water, with or without other ingredients that has been fermented by yeast or otherwise leavened and which has been baked in any form, size or shape.

To ensure that the tax treatment of the supply of brown bread is applied uniformly the following guidelines are furnished :

The supply (other than in the course of the provision of a meal or refreshment) of any type of brown bread shall be subject to tax at the zero rate, provided -

- (i) it is marketed and sold under the description brown bread;
- (ii) the meal content of the dough consists of at least 50 per cent brown bread meal ; and
- (iii) the mass of the loaf exceeds 100 grams.

Products such as "whole-wheat brown bread", "high fibre brown bread", "high protein brown bread" and "brown health bread" which satisfy the above requirements will accordingly be subject to the zero rate.

The supply of a portion of a brown bread is also subject to the zero rate, except where supplied in the course of the provision of a meal or refreshment (such as a sandwich).

Brown bread rolls and other bread products which do not comply with the above requirements are subject to VAT at the standard rate.