



SOUTH AFRICAN REVENUE SERVICE

BINDING GENERAL RULING (VAT) NO: 3

DATE : 4 December 2007

ACT : VALUE-ADDED TAX ACT, NO. 89 OF 1991 (the VAT Act)
SECTION : SECTIONS 28 AND 72
**SUBJECT : TRANSITIONAL ARRANGEMENTS FOR MUNICIPALITIES:
RETURNS AND PAYMENT OF TAX IN RESPECT OF
SUPPLIES WHICH BECAME TAXABLE FOR THE FIRST TIME
DURING THE TRANSITION PERIOD**

1. Purpose

The purpose of this binding general ruling is to —

- 1.1 provide approval to municipalities regarding the accounting of output tax on supplies which became taxable for the first time during the transition period; and
- 1.2 make an arrangement in terms of section 72 of the VAT Act for municipalities —
 - 1.2.1 registered on Category A in terms of section 27(1) of the VAT Act;
 - 1.2.2 registered as e-filers; or
 - 1.2.3 who make payment by debit orders,
to account for output tax as contemplated in paragraph 1.1, in a later return which is due for payment on a date later than on or before 25 July 2007 (as set out in paragraph 3. below).

2. Background

The Small Business Tax Amnesty and Amendment of Taxation Laws Act, 2006 (Act No. 9 of 2006), effected certain amendments to the VAT Act with the purpose of simplifying municipalities' accounting and tax records. As a result, certain supplies previously made by municipalities which were exempt or non-taxable for VAT purposes became taxable at the standard rate after 1 July 2006.

Due to the change in the taxable nature of certain supplies and in order to assist municipalities to fully comply with these amendments, transitional

arrangements were introduced in order to afford municipalities an opportunity to put in place the necessary administrative and accounting mechanisms. These transitional arrangements are set out in Regulation No. 270 in Government Gazette No. 29741, dated 28 March 2007 (the Regulation).

The Regulation makes provision for the output tax due on supplies which became taxable for the first time during the transition period to be accounted for in a later tax period which is due and payable on or before 25 July 2007.

This provision in the Regulation, however, omitted to include municipalities —

- registered on Category A in terms of section 27(1) of the VAT Act;
- registered as e-filers; or
- who make payment by debit orders.

As a result of the aforementioned, discussions were held with relevant stakeholders and it was agreed that a binding general ruling be issued in order to formalise the arrangement in respect of the submission of returns and payment of tax relating *inter alia* to supplies which became taxable for the first time during the transition period.

3. Ruling

3.1 Where any amount of output tax is due by a municipality on supplies which became taxable for the first time during the transition period and has been omitted in error from any return for a prior tax period which was required to be submitted within the transition period, that output tax may be accounted for by the municipality no later than the payment due dates set out below:

	Category A		Category B		Category C	
Tax period	June/July 2007		May/June 2007		June 2007	
	VAT201 submission date	Payment due date	VAT201 submission date	Payment due date	VAT201 submission date	Payment due date
All vendors except e-filers and vendors making payment by debit orders	24 August 2007	24 August 2007	25 July 2007	25 July 2007	25 July 2007	25 July 2007
E-filers	31 August 2007	31 August 2007	31 July 2007	31 July 2007	31 July 2007	31 July 2007
Vendors making payment by debit orders	24 August 2007	31 August 2007	25 July 2007	31 July 2007	25 July 2007	31 July 2007

- 3.2 Penalty and interest will be levied in terms of section 39(1) of the VAT Act where the payment as set out in the aforementioned table is effected on a date which is later than the dates set out in the table.
- 3.3 Furthermore, no additional tax, penalty or interest will be imposed on the late payment of output tax which became payable on supplies which became taxable for the first time during the transition period and which is accounted for and paid in terms of paragraph 3.1.
- 3.4 The aforementioned ruling is issued in terms of section 72 of the VAT Act in order to overcome the anomaly experienced by enforcing the due date of 25 July 2007 as set out in the Regulation. In this regard, it must be noted that this ruling is only applicable to output tax on supplies that became taxable for the first time and such output tax has been omitted in error from any return for a prior tax period which was required to be submitted within the transition period.
- 3.5 This ruling is a binding general ruling issued in accordance with section 76P of the Income Tax Act, 1962 (Act No. 58 of 1962) as made applicable to the VAT Act by section 41A of the VAT Act. This binding general ruling is valid until 31 August 2007.

Legal and Policy Division
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