



## **PROPOSED CHANGES TO THE DEFERMENT SCHEME**

In terms of section 39(1) of the Customs and Excise Act, 1964, the Commissioner of SARS may allow the deferment of payment of customs duties subject to certain conditions and for such periods as he may determine. This deferment arrangement equally applies to the VAT levied upon importation in terms of section 13(6) of the Value Added Tax Act, 1991.

### **Current Deferment Position**

The payment of customs duty and VAT may be deferred for a period of up to 30 days. At the conclusion of the deferment period, the deferment holder is allowed a further seven days to pay all the amounts of customs duty and VAT that were deferred for the 30 day period. The deferment holder can select a suitable 30 day deferment period, which can be from the first to the twenty-eighth of each month.

If the deferment limit in any deferment period is exceeded the deferment holder will not be able to defer any more customs duty and or VAT for the remainder of that period.

The deferment holder is furthermore required to provide a security amount in respect of the approved deferment limit. The security can be equal to the deferment limit or can be less than the deferment limit depending on the risk profile of the deferment holder

### **VAT input tax deduction on importation of goods**

SA VAT uses the subtractive method to calculate the VAT liability. This calculation takes into account all output tax and input tax that occurred in a particular tax period and is usually done with reference to the time of supply rules read together with the method (invoice basis or payment basis) that is adopted by business to account for VAT. Generally, the issue date of an invoice or payment will determine the tax period in which the output tax or input tax must be allocated.

In the case of an input tax deduction arising from VAT levied upon importation, such deduction must be allocated to a tax period corresponding to the date the VAT is paid to SARS. In addition, the deduction of input tax must be supported by documentation which must be held at the time a return in respect of that tax period is submitted to the tax administration.

Following industry comments and consultations, sections 16(3)(a)(iii) and 16(3)(b)(ii) of the VAT Act was amended to allow the input tax deduction to be made in respect of the tax period when the Customs Release Notification was issued. The documentary requirements under section 16(2)(d) remain unchanged. These amendments will take effect on 1 April 2015. As a result, and in order to achieve comparable fiscal neutrality, it is necessary to amend the deferment period to align it to the VAT period.

### **Proposed Deferment solution**

It is proposed that a fixed deferment period of one calendar month apply to all deferment account holders. Payment to SARS of the deferment account will be due on or before the 7<sup>th</sup> of the following month.

Vendors that have imported goods may deduct the input tax which is attributable to the tax period during which the goods were released in the terms of the Customs and Excise Act. By way of example, where a clearing agent clears the goods on behalf of a vendor or a vendor has a deferment account, goods are released in Month 1, payment of the output tax to SARS takes place on or before the 7<sup>th</sup> of Month 2, and the vendor (importer) deducts the input tax through its VAT201 submitted at the end on Month 2.

The current position that, when the deferment limit in any deferment period is exceeded the deferment holder will not be able to defer any more customs duty and or VAT for the remainder of that period, is retained. Furthermore, a communication with regard to an arrangement for the month of March 2015 will be circulated separately.

This solution is to be provided for in the Rules to the Customs and Excise Act, 1964.

**Proposed implementation date**

The proposed implementation date is 1 July 2015.

**Comments**

SARS invites all affected parties to submit comments on the above solution on or before 27 February 2015 to [sauthar@sars.gov.za](mailto:sauthar@sars.gov.za).

**ISSUED BY: Legal and Policy**

**DATE: 6 February 2015**