



# Value-Added Tax

Frequently Asked Questions  
Increase in the VAT rate  
from 1 April 2018



*South African Revenue Service*

In the Minister's Budget speech on 21 February 2018, an increase in the standard rate of VAT was announced. The rate increase applies from 1 April 2018. The Frequently Asked Questions (FAQs) in this document have been compiled on the basis of questions that vendors and the public at large are likely to have about the implications of the rate increase.

These FAQs have been drafted on the basis of information which was available at the time of announcement and will be updated from time to time as new information comes to light or arrangements are made regarding some of the common practical and administrative challenges.

The FAQs were drafted purely to assist vendors and the public at large to obtain clarity and to ensure consistency on certain practical and technical aspects of implementing the change to the VAT rate. The FAQs are therefore not intended to be used as legal reference. You can find more information about some of the aspects discussed in this document in the **VAT 404 – Guide for Vendors** which is available on the **SARS website**.

Please note that the **VATRateEnquiries@sars.gov.za** mailbox was closed with effect from 10 July 2018. If you have any VAT rate increase-related enquiries which are not addressed in these FAQs, you can direct your enquiry to the SARS contact centre on 0800 00 SARS (0800 00 7277) (weekdays from 8:00 AM to 17:00 PM). International callers, please dial +27 11 602 2093 between 8:00 AM and 16:00 PM, South African time).

**Issued by:**

**Legal Counsel**  
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	Question	Answer
1.	When was the increase in the VAT rate announced and when will it take effect?	<p>The increase was announced in the Minister of Finance’s Budget Speech on 21 February 2018.</p> <p>The standard rate of VAT will change from 14% to 15% on 1 April 2018 (the effective date) and will continue to apply for at least 12 months from 1 April 2018. Parliament must pass legislation giving permanent effect to the announcement within a period of 12 months.</p> <p>For more information refer to the <b>2018 Draft Rates and Monetary Amounts and Amendment of Revenue Laws Bill</b>.</p>
2.	What is the new tax fraction that applies on or after 1 April 2018?	<p>The new tax fraction is calculated as follows:</p> $\frac{\text{Rate of tax}}{100 + \text{rate of tax}} = \frac{15}{115}$ <p>For example, if the VAT-inclusive price (final consideration) is R1 150, the VAT amount is calculated as follows based on the new tax fraction:</p> $R1\ 150 \times 15/115 = \underline{R150\ \text{VAT}}$
3.	How will the increase affect me if I am a VAT vendor?	<p>Generally, the change should be fairly neutral if you only make taxable supplies as the increased rate of VAT will be charged to your customer and your additional VAT expenses can generally be claimed as input tax. However, if you also make exempt or other non-taxable supplies, the increased VAT may become a cost to your business if it cannot be claimed as input tax or the VAT charged is specifically denied as input tax.</p> <p>Some of the more specific practical and administrative issues faced by vendors will be dealt with in the FAQs below.</p>
4.	How will the increase affect me if I am an ordinary consumer or my business is not registered for VAT?	<p><b>Refer to Question 3.</b> Businesses and consumers that are not registered for VAT will be charged an additional 1% VAT from 1 April 2018. The increased rate will be reflected on tax invoices that must be issued by the vendor to the customer/purchaser.</p>
5.	How will the increase affect me if I am registered for VAT and I am using the invoice basis of accounting?	<p>You must charge VAT at the rate of 15% instead of 14% on any taxable supplies that you make on or after 1 April 2018 and account for the VAT charged on invoices issued in your VAT201 return. Similarly, you will be able to claim input tax at the increased rate on any taxable supplies made to you on or after 1 April 2018, provided that you meet the normal rules for claiming input tax (that is, you have the tax invoices and other required documents etc.).</p> <p>You must claim input tax at the old VAT rate on supplies that took place before 1 April 2018, subject to certain exceptions. You will therefore need to carefully check the tax invoices that you receive after 1 April 2018 before completing and submitting your VAT201 return and payment.</p>

6.	How will the increase affect me if I am registered for VAT on the payments basis of accounting?	<p>The same answer mentioned in <b>Question 5</b> above will apply, but you must remember to check the rate at which VAT was charged based on the original time of supply when making or receiving payments. If the time of supply for a supply you have made or received was before 1 April 2018, then you must continue to declare output tax or claim input tax based on the VAT rate of 14% that applied at the time the original supply was made.</p> <p>See, for example, <b>Question 43</b>.</p>
7.	How do I know which date to use as the transaction date for purposes of determining the VAT rate to be charged?	<p>The transaction date is referred to as the “time of supply”. It is very important to understand the time of supply rules relating to various transactions as the prevailing rate of VAT on that date will apply to the transaction concerned.</p> <p>The general rule is dealt with in <b>Question 8</b> below and will have the effect that if either the invoicing or any payment of any part of the purchase price for a supply occurs –</p> <ul style="list-style-type: none"> <li>• before 1 April 2018 – a VAT rate of 14% will apply;</li> <li>• on or after 1 April 2018 – a VAT rate of 15% will apply.</li> </ul> <p>There are, however, some special time of supply rules and rate specific rules that apply for certain types of supplies when the VAT rate increases. These are discussed in <b>Questions 9 to 21</b>.</p>
8.	What is the general time of supply which applies to most transactions?	<p>The general time of supply is the date that any payment of the VAT-inclusive price (consideration) for the supply is made, or an invoice is issued in respect of the supply – whichever event occurs first.</p> <p><b>Example</b></p> <p><i>A vendor issues an invoice to a customer for a supply of goods on Day 1, delivers the goods on Day 2, and receives payment on Day 3. The time of supply in this case has been triggered on Day 1, as it was the first of the relevant events to occur. The VAT rate on Day 1 will therefore apply in this case – even if payment was only made later.</i></p> <p>The general time of supply rule applies in the case of supplies that do not have a special time of supply rule. Some examples of the special time of supply rules are dealt with in <b>Questions 9 to 12</b> below.</p>
9.	What are some examples of supplies that have special time of supply rules?	<p>Some examples are as follows:</p> <ul style="list-style-type: none"> <li>• Supplies between connected persons. (See <b>Question 10</b>.)</li> <li>• Ongoing, continuous, progressive, successive and periodic supplies such as rental agreements, insurance contracts, cleaning contracts, building contracts, security services and subscription services. (See <b>Question 11</b>. See also <b>Questions 18 to 21</b> for rate specific rules.)</li> <li>• Instalment credit agreements (ICAs) – this includes instalment sale agreements and financial leases entered into to acquire vehicles and equipment. (See <b>Question 12</b>.)</li> <li>• Lay-by agreements (see <b>Question 13</b>.)</li> <li>• Fixed property transactions (see <b>Questions 14 and 15</b>.)</li> </ul> <p>You can refer to Chapter 5 of the <b>VAT 404 – Guide for Vendors</b> for more information in this regard as well as some further examples.</p>

<p>10.</p>	<p>How will the increase work for supplies between connected persons?</p>	<p>The VAT rate that applies for connected persons depends on whether it is a supply of goods or services, as follows:</p> <ul style="list-style-type: none"> <li>• <i>Goods which are to be removed</i> – the VAT rate on the day the goods are removed must be charged.</li> <li>• <i>Goods that are not to be removed</i> – the VAT rate on the day the goods are made available must be charged.</li> <li>• <i>Services</i> – the prevailing rate of VAT on the day the services are performed must be charged.</li> </ul> <p>However, in some cases, the VAT rate will be determined according to the normal time of supply rules. Also refer to Chapter 5 of the <b>VAT 404 – Guide for Vendors</b> for more information in this regard.</p>
<p>11.</p>	<p>How will the increase work for ongoing contracts such as supplies made under rental agreements, construction and cleaning contracts, insurance and subscription services?</p>	<p><i>Successive, periodic or continuous supplies</i> – The VAT rate is determined based on the earlier of the date when payment is due or is received. Some examples include property, equipment, car rentals and on-going contracts for maintenance, management, insurance, subscription or cleaning services. These supplies are typically invoiced or paid for in advance on a monthly basis. The increased rate will apply to any payment that becomes due or is received on or after 1 April 2018.</p> <p><i>Progressive supplies</i> – The VAT rate is determined based on the earliest of the date when payment is due or is received, or any invoice for payment is issued. Examples include construction, manufacture or assembly of goods where the agreement provides for the purchase price to become due and payable according to the progress made. The increased rate will apply if the earliest of any payment that becomes due or is received or any invoice is issued in respect thereof is on or after 1 April 2018.</p> <p>Refer to <b>Questions 16</b> and <b>17</b> regarding whether or not the stated price in the ongoing contract may be increased as a result of an increase in the VAT rate. See also <b>Questions 18</b> to <b>21</b>.</p>
<p>12.</p>	<p>How will the increase work for ICAs such as instalment sale agreements and financial leases?</p>	<p>Supplies made under an ICA are not regarded as being supplied successively, periodically, continuously or progressively as discussed in <b>Question 11</b>.</p> <p>The time of supply for goods supplied under an ICA is the earlier of the date of delivery of the goods, or when payment of any part of the purchase price is made. The increase in the VAT rate will not affect the contract price or the agreed instalment amounts payable for those goods under an ICA if the actual time of supply was before 1 April 2018, as the output tax and input tax is accounted for upfront regardless of the vendor’s accounting basis for VAT.</p> <p>Note, however, that ongoing monthly service fees charged under the ICA by your financier may be subject to the increase in VAT. In that case, your instalments may increase to that extent.</p>

<p>13.</p>	<p>How will the increase work for lay-by agreements?</p>	<p>If a lay-by agreement is concluded before 1 April 2018 and the payment required to reserve the goods was made to the supplier before 1 April 2018, the old VAT rate of 14% will apply even if the goods are delivered on or after 1 April 2018. If such a lay-by agreement is cancelled and any part of the amount paid to the seller is retained, the seller must declare output tax using the old tax fraction of 14/114. This is also true if a lay-by agreement is cancelled before 1 April 2018.</p> <p>If delivery occurs on or after 1 April 2018 in circumstances that are not covered above, the supply of goods under the lay-by agreement will be subject to VAT at 15%. If the agreement is cancelled on or after 1 April 2018 in circumstances that are not covered above, the seller must declare output tax using the new tax fraction of 15/115.</p>
<p>14.</p>	<p>How will the rate increase work generally for fixed property transactions?</p>	<p>The rate of VAT for fixed property transactions will be the rate that applies on the date of registration of transfer of the property in a Deeds Registry, or the date that any payment of the purchase price is made to the seller – whichever event occurs first. (See, however, exceptions dealt with in <b>Questions 15</b> and <b>21</b>.)</p> <p>If a “deposit” is paid and held in trust by the transferring attorney, this payment will not trigger the time of supply as it is not regarded as payment of the purchase price at that point in time.</p> <p>Normally the sale price of a property is paid to the seller in full by the purchaser’s bank (for example, if a bond is granted) or by the purchaser’s transferring attorney. However, if the seller allows the purchaser to pay the purchase price off over a period of time, the output tax and input tax of the parties is calculated by multiplying the tax fraction at the original time of supply by the amount of each subsequent payment, as and when those payments are made. In other words, if the time of supply was triggered before 1 April 2018, your agreed payments to the seller over time will not increase because of the increase in the VAT rate on 1 April 2018.</p> <p><b>Example</b></p> <p><i>A vendor sells a commercial building and issues a tax invoice to the purchaser on 10 January 2018. If the property will only be registered in the Deeds Registry on or after 1 April 2018 and payment will be made by the purchaser’s bank or transferring attorneys on the same date, then the time of supply will only be triggered at that later date. In this case, VAT must be charged at 15% as the rate increased on 1 April 2018 which would be before the time of supply. It does not matter that an invoice or a tax invoice was issued before the time of supply and before the VAT rate increased. The tax invoice in this case would also have to be corrected as it would have indicated VAT charged at the incorrect rate of 14%.</i></p> <p>See also <b>Question 15</b> below for the rate specific rule that provides an exception for the purchase of “residential property” or land on which a dwelling is included as part of the deal.</p>

<p>15.</p>	<p>Is there a rate specific rule which is applicable to me if I signed the contract to buy residential property (for example, a dwelling) before the rate of VAT increased, but payment of the purchase price and registration will only take place on or after 1 April 2018?</p>	<p><b>Yes.</b> You will pay VAT based on the rate that applied before the increase on 1 April 2018 (that is 14% VAT and not 15% VAT). This rate specific rule overrides the rules as discussed in <b>Question 14</b> which applies for non- residential fixed property.</p> <p>This rate specific rule applies only if –</p> <ul style="list-style-type: none"> <li>• you concluded* a written agreement to buy the dwelling (that is “residential property”) before 1 April 2018;</li> <li>• both the payment of the purchase price and the registration of the property in your name will only occur on or after 1 April 2018; and</li> <li>• the VAT-inclusive purchase price was determined and stated as such in the agreement.</li> </ul> <p><i>* “Concluded” means that a legal and binding contract was entered into by the parties – regardless of whether that contract includes any suspensive or resolute conditions.</i></p> <p>If the above requirements are not met, the VAT rate of 15% applies to the transaction.</p> <p>For purposes of this rule, “residential property” includes –</p> <ul style="list-style-type: none"> <li>• an existing dwelling, together with the land on which it is erected or any other real rights associated with that property;</li> <li>• so-called plot-and-plan deals where the land is bought together with a building package for a dwelling to be erected on the land; or</li> <li>• the construction of a new dwelling by any vendor carrying on a construction business.</li> </ul> <p>See also <b>Question 11</b> for construction services and <b>Question 14</b> if you bought residential property, but do not meet the above requirements.</p> <p>If payment and registration in the deeds office occurs before 1 April 2018, the VAT rate of 14% also applies to the transaction.</p>
<p>16.</p>	<p>Will I be able to increase the price that I charge under existing ongoing contracts concluded before the increase in the VAT rate?</p>	<p><i>Contract prices agreed by the parties</i> – Generally, the supplier (being a vendor) may increase the contract price and recover the additional VAT from the customer under an existing contract concluded before 1 April 2018 if the supplies will continue after that date. This rule applies even if any other law states otherwise. The supplier will, however, not be able to increase the price or recover the increase from the customer if the parties have specifically agreed in writing in the contract that it may not be increased.</p> <p>Whether the additional amount is recoverable from the customer or not, the supplier must account for VAT on any supplies made on or after 1 April 2018 at the increased VAT rate.</p> <p><i>Prices set under an Act or regulation</i> – As mentioned above, the supplier may increase the contract price even if any other law states otherwise. However, if the Act or regulation concerned actually sets the price and contains an explicit statement that the amount may not be increased, then the price will stay the same and may not be increased until that other Act or regulation that sets the price is amended accordingly. (See also <b>Question 17.</b>)</p>

		<p>The supplier will not be able to increase the price or recover the increase from the customer if the parties have specifically agreed in writing in the contract that it may not be increased.</p> <p>Whether the additional amount is recoverable from the customer or not, the supplier must account for VAT on any supplies made on or after 1 April 2018 at the increased VAT rate.</p>
17.	<p>What is the position when fees or charges are calculated with reference to another amount (the base amount)?</p>	<p>You must first establish if the base amount is expressed as a VAT-inclusive or VAT-exclusive amount.</p> <ul style="list-style-type: none"> <li>• <i>VAT-inclusive base amount</i> – the calculated fee or charge will automatically include VAT at the increased rate of 15% if the supply took place on or after 1 April 2018. The VAT amount is calculated by multiplying the new tax fraction 15/115 by the final purchase price.</li> <li>• <i>VAT-exclusive base amount</i> – VAT at the increased rate of 15% must be added to the calculated fee or charge to determine the final VAT-inclusive purchase price if the supply took place on or after 1 April 2018.</li> </ul> <p>If the base amount is prescribed in another Act or regulation, then as explained above, it must be established if that base amount is expressed as a VAT-inclusive or VAT-exclusive amount. The base amount will also increase as a result of the increase in the VAT rate unless that Act or regulation contains an explicit statement to the contrary. (See also <b>Question 16</b>.)</p> <p>Vendors need to pay attention to how the base amount is calculated, as well as the method upon which the formula is based that is applied to the base amount. This is especially important if you are using a VAT-inclusive base amount or a VAT-inclusive formula to calculate the fee or charges, as the calculated fees in that case are likely to be based on the incorrect assumption that VAT is included at 14%. In order to avoid commercial disputes, vendors should be clear in their agreements regarding how the base amount is calculated as well as the methods that are used for calculating the fees or charges based thereon. The formulae used should clearly demonstrate how the new VAT rate of 15% features in those calculations.</p>
18.	<p>Are there any rate specific rules regarding the application of the increased VAT rate for supplies that span the date of the VAT rate increase?</p>	<p><b>Yes</b>, although the time of supply rules normally fix the date upon which the liability for VAT in respect of a transaction arises, including the VAT rate (see <b>Questions 11 to 15</b>), rate specific rules may apply when the VAT rate increases.</p> <p>The general effect of these rate specific rules is that if a transaction was entered into before 1 April 2018, but delivery of the goods or performance of the services only takes place on or after 1 April 2018, the following rules apply:</p> <ul style="list-style-type: none"> <li>• <i>In the case of goods</i> – use the VAT rate that applies on the date that the goods are actually delivered or made available for collection; and</li> </ul>

		<ul style="list-style-type: none"> <li>• <i>In the case of services</i> – use the VAT rate that applies on the date the services are physically performed or actually rendered.</li> </ul> <p>These rules are explained further in <b>Questions 19 to 21</b>.</p> <p>Regardless of any rate specific rule which applies in relation to the increase in VAT rate, vendors must still account for VAT on the transactions concerned in the relevant tax periods under the normal time of supply rules (see <b>Questions 7 and 8</b>).</p>
19.	<p>What happens if I have actually delivered the goods or performed the services before 1 April 2018, but the invoicing or payment only occurs after that date?</p>	<p>The VAT Act provides that you must charge VAT at 14% even if the normal time of supply for those supplies (invoicing or payment) occurs after the increase in the VAT rate. This is explained by way of the example below.</p> <p><b>Example</b></p> <p><i>If a firm of auditors (being a vendor) has actually supplied auditing services to a customer before 1 April 2018, but the invoicing and payment only occurs after 1 April 2018, the auditing firm must charge VAT at 14% for those services and not 15%.</i></p>
20.	<p>What happens when goods are delivered or services are performed during a period starting before and ending on or after 1 April 2018, and the time of supply is triggered on or after 1 April 2018?</p>	<p>An apportionment must be made on a fair and reasonable basis for the value of goods delivered or services performed before and after 1 April 2018. The value of that part which falls before 1 April 2018 will be taxed at 14% and the part that falls on or after 1 April 2018 will be taxed at 15%.</p> <p>The supplies to which this provision applies are –</p> <ul style="list-style-type: none"> <li>• rental agreements;</li> <li>• progressive or periodic supplies of the goods;</li> <li>• construction activities;</li> <li>• services actually rendered over the period concerned.</li> </ul> <p>These rules do not apply to supplies of fixed property, including “residential property”, as discussed in <b>Questions 14 and 15</b> respectively.</p> <p>Refer also to <b>Questions 40, 43, 46 and 52 to 54</b>.</p>
21.	<p>What happens if goods are delivered or services are performed on or after 1 April 2018, but an invoice was issued or payment was received between 21 February and 31 March 2018?</p> <p>(That is, between the date that the increase was announced and when the increase became effective.)</p>	<p>The supply is taxed at the increased rate of 15% if the following conditions are evident:</p> <ul style="list-style-type: none"> <li>• <i>Goods</i> – if the goods are delivered more than 21 days after 1 April 2018 (that is, on or after 23 April 2018, being the first day after the expiry of the 21 days).</li> <li>• <i>Services</i> – to the extent that the services are actually rendered on or after 1 April 2018 as explained in <b>Questions 16 to 18</b>.</li> </ul> <p>This rule applies, for example, when a vendor issues invoices or requests advance payments from customers to purposefully bring the time of supply forward to a date before 1 April 2018 when that would not be a normal business practice.</p>

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		<p>This rate specific rule does not apply when the normal time of supply occurs before 1 April 2018 and where it is a general business practice for payments or invoices to be issued before the supplies are made. For example, a supplier may have a long established practice of requiring an advance payment before rendering building alterations or installation services.</p> <p>This rule does not apply in the case of residential property (see <b>Question 15</b>).</p>
22.	Can I get an additional input tax adjustment for the trading stock on hand that I bought at the previous VAT rate of 14%?	<p><b>No.</b> Input tax is claimed based on the VAT rate that applied when you acquired the goods or services (that is, based on the time of supply of the acquisition). The law does not make provision for any input tax adjustments for trading stock on hand if the VAT rate increases.</p>
23.	How will the VAT rate increase work for the importation of goods or services?	<p><i>Importation of goods</i> – the date of importation is the date that Customs clears the goods for home consumption. If the clearance date is on or after 1 April 2018, the new rate of VAT will apply, even if the goods arrived in the country earlier or if the documents in connection with the importation were prepared before the clearance date.</p> <p><i>Imported services</i> – the time of supply for imported services is the earlier of the time that –</p> <ul style="list-style-type: none"> <li>• an invoice is issued by the supplier or the recipient in respect of the supply; or</li> <li>• the time any payment is made by the recipient in respect of that supply.</li> </ul> <p>VAT must therefore be charged on imported services at the applicable rate on the earlier of the above dates.</p>
24.	Must I increase the price of products in my shop and in any pricelist before the VAT rate increase on 1 April 2018?	<p>The VAT Act provides that when there is an increase in the VAT rate, the supplier (being a vendor) <b>may</b> increase the price and the increased tax <b>may</b> be recovered from the customer. Therefore, it will be up to you, the vendor, whether or not you are going to increase the prices of products in your shop from 1 April 2018.</p> <p>Customers will only pay the price they see advertised, quoted or displayed and therefore it is important for you to include VAT at the correct rate. It is also important to note that whether you increase your price or not, your point of sale and accounting systems must nevertheless be set up to charge and declare VAT on the final price at the increased rate for supplies made on or after 1 April 2018.</p> <p>Similarly, if you have previously entered into any agreement in terms of which an offer was accepted before 1 April 2018, then the additional amount of VAT <b>may</b> be recovered from the customer (see also <b>Questions 16 and 17</b>).</p>

		<p>Please note that if you decide not to increase your prices you will still be required to declare output tax on your sales on or after 1 April 2018 at the new rate of 15%. Further, you may not state or imply in any notice that you are providing some form of trade, cash or other form of discount or refund by not charging the increased amount of tax which would otherwise be payable.</p>
<p>25.</p>	<p>Can I increase the price of products in my store to include the new rate of VAT without having to change all the individual price tickets?</p>	<p>The Commissioner has a discretion to approve another method of displaying prices of goods or services by vendors where the rate of tax is increased.</p> <p>In the current situation, permission is hereby given under proviso (iii) in section 65 of the VAT Act for a vendor to display a notice to inform customers that the price does not include VAT at the new rate of 15% and prices will be adjusted at the point of purchase (that is, at the till, or at any other place where the vendor accepts the client's offer to purchase). The notice should be removed by no later than the end of July 2018.</p> <p>It is also advisable to include in the notice, showing with equal prominence, an example of the old and new prices of one of your products and how the adjustments will be made at the point of sale.</p> <p>The notice should be prominently displayed –</p> <ul style="list-style-type: none"> <li>• at all entrances to the premises where the goods or services are displayed for sale;</li> <li>• at all points of sale where payments are effected or tax invoices are issued;</li> <li>• at all other places at the business premises where contracts for the supply of goods or services may be concluded;</li> <li>• in all forms of print and electronic advertising media and on all websites.</li> </ul> <p>The above arrangement will also apply if your prices are sent to your customers in the form of VAT-inclusive pricelists, price or tariff booklets, or prices that are published in any laws or regulations. See also <b>Question 59</b>.</p>
<p>26.</p>	<p>What happens if a customer accepts a quote which I issued before the VAT rate increased?</p>	<p>Refer to <b>Questions 16 to 18 and 24 and 25</b>.</p> <p>When you issue or receive a quote, order or purchase order, the time of supply (refer to <b>Questions 8 and 9</b>) is generally not triggered. It will therefore not influence the VAT rate that applies to a transaction.</p> <p>You may increase the price to take into account the increased VAT rate if you choose. The same applies if you tendered for a contract at the old rate of 14%.</p> <p>You must therefore be aware that if you tendered for a government or other contract and you choose not to increase your price, you will still have to charge output tax at the new standard rate of 15% unless any of the exceptions apply as discussed in these FAQs.</p>

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27.	What are my responsibilities if I do not have enough time to change my business systems to accommodate the increased VAT rate?	<p>You will have to manually recalculate your systems generated amounts to take into account the difference when you close off the VAT reporting period (tax period), and declare the VAT reflecting the increased VAT rate in the VAT201 return concerned.</p> <p>If you have under declared the VAT payable in your VAT201 return, you must make a request for correction (RFC) on eFiling if you file your returns electronically. If you are not registered on eFiling, then you must request your local branch office to process an RFC for you to correct the amount(s). In either case, penalties and interest may apply in respect of any shortfall. For more information on how to apply for a request for a correction, see the <b>Request for Correction</b> webpage. See also <b>Questions 30</b> and <b>55</b>.</p>
28.	Which rate of VAT do I use to calculate notional input tax on ordinary second-hand goods acquired under a non-taxable supply?	<p>This will be determined according to the time of supply rules (earlier of payment or invoicing) – refer, for example, to <b>Questions 7</b> and <b>8</b>. Therefore, if the time of supply is on or after 1 April 2018, then the new tax fraction, namely 15/115 must be used to calculate the notional input tax claim. If the time of supply was before 1 April 2018, then you will use the old tax fraction 14/114 (even if you make any payments to the seller for those goods after 1 April 2018).</p>
29.	Which rate of VAT do I use to calculate notional input tax on any second-hand fixed property acquired under a non-taxable supply?	<p>The same rules as per <b>Question 28</b> above apply in respect of a non-taxable supply of fixed property. Note, however, that the time of supply for fixed property is based on a special time of supply rule, being the earlier of the date of registration in a Deeds Registry (if required) or the date that any part of the purchase price is paid.</p>
30.	What happens if I incorrectly charged the old rate of VAT on a supply instead of the increased rate?	<p>You should try and correct the error by engaging with your customer as soon as possible – preferably before you have to submit your VAT201 return and payment for the tax period concerned. In this regard, you may issue a debit note to correct the VAT charged on the previously issued tax invoice. Alternatively, if you choose not to follow this up with your customer, or you are unable to recover the amount from your customer, you will have to bear the difference as a business cost.</p> <p>If you are only able to correct the error after submitting your VAT201 return for the tax period concerned, you may be liable for penalty and interest on the difference between what you have declared and the correct amount. Alternatively, to avoid penalty and interest, you can declare VAT at the rate of 15% on the consideration indicated on the tax invoice and correct the tax invoice for the recipient in the next tax period, or you can issue a debit note for the difference in the next tax period if you have not charged the full consideration (as the case may be).</p> <p>Refer to <b>Question 27</b> for more detail on RFCs.</p>

**FAQs: Increase in the VAT rate from 1 April 2018**

31.	What happens if the tax invoice from my supplier incorrectly reflects the old rate of VAT instead of the new rate?	See <b>Question 30</b> . If the tax invoice is not corrected by the supplier before you have to submit your VAT201 return for that tax period, your input tax will be limited to the VAT indicated on the tax invoice. You may then claim the difference as input tax in a subsequent tax period once the supplier corrects the purchase price and the VAT on the tax invoice issued to you, or the supplier issues you with a debit note for the difference in consideration (as the case may be).
32.	If my contract is a bit vague, or if I have a dispute with my supplier or customer regarding an increase in the agreed price, can we approach SARS for a ruling to settle the dispute?	<p><b>No.</b> SARS may not get involved in resolving contractual disputes between parties. This includes interpreting –</p> <ul style="list-style-type: none"> <li>• the meaning of the words in a contract;</li> <li>• whether a particular party is principal or agent;</li> <li>• what the parties to that contract may, or may not have agreed upon;</li> <li>• what the facts of the dispute are;</li> <li>• what the intention of the parties were.</li> </ul>
33.	Will the VAT201 returns be amended in time so that vendors can correctly report for the first period after the increase?	<p><b>Yes.</b> The returns will be amended on time.</p> <p>The VAT201 return will be updated to reflect the new VAT rate of 15% in time for VAT reporting periods ending on or after April 2018. Furthermore, the VAT201 return and related systems will be updated to process the relevant calculations at the new rate of 15%.</p> <p>More details in this regard will be communicated to vendors once the VAT201 and related systems adjustments are made. See <b>Question 34</b>.</p>
34.	How do I complete my VAT201 return if the new VAT rate applies in the middle of my tax period? (e.g. Category B, E or D tax period)	<p>Regardless of your VAT reporting period, you must still charge VAT at the increased rate of 15% from 1 April 2018.</p> <p>As explained in <b>Question 33</b>, the VAT201 returns for tax periods which cover the month of April 2018 but commenced in months before April 2018 (for example, Category B, E and certain vendors on Category D) will be changed to reflect the new VAT rate of 15% and the new tax fraction of 15/115. The affected vendors will therefore be required to declare transactions which attract VAT at both 14% and 15% on a single VAT201 return.</p> <p>A communication was sent to all vendors on how to complete the VAT201 return during the transition period. (Refer also to the <b>SARS website</b>.) The following should therefore be noted when completing the VAT201 returns concerned:</p> <p><b>Output tax</b></p> <ul style="list-style-type: none"> <li>• For all standard-rated supplies where VAT at <b>15%</b> has been levied, please use the fields that you would normally declare the output tax.</li> <li>• For all standard-rated supplies where VAT at <b>14%</b> has been levied, please use <b>Field 12 – “Other and Imported Services”</b> of the VAT201, to declare the output tax.</li> </ul>

		<p><b>Input tax</b></p> <ul style="list-style-type: none"> <li>• For all capital and other goods and/or services supplied to you and charged with VAT at a rate of <b>15%</b>, please use <b>Fields 14</b> and <b>15</b> of the VAT 201.</li> <li>• For all capital and other goods and/or services supplied to you and charged with VAT at a rate of <b>14%</b>, please use <b>Field 18 –“Other”</b> of the VAT201, to deduct the VAT.</li> <li>• For all imports, irrespective of whether the VAT was charged at <b>14% or 15%</b>, please use <b>Fields 14A</b> and <b>15A</b> of the VAT201 to deduct the VAT.</li> </ul> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li>• <b>Field 12</b> (output tax) must be used to indicate the VAT amount in respect of debit notes issued and credit notes received during the tax period; and</li> <li>• <b>Field 18</b> (input tax) must be used to indicate the VAT amount in respect of debit notes received and credit notes issued during the tax period.</li> </ul> <p>The above arrangement is made primarily to deal with tax periods covering April 2018. However, as noted in this document, some supplies may be subject to VAT at 14% on or after 1 April 2018, but will only be included in a later VAT201 return. In such cases, you must continue to include the VAT charged at 14% in the relevant fields as indicated above – including for future returns (where applicable). See for example, <b>Question 15</b>.</p> <p>Refer also to <b>Question 63</b> regarding vendors that apply the 10-day rule, which results in a tax period spanning 1 April 2018 and <b>Question 64</b> regarding change in use adjustments.</p>
<p>35.</p>	<p>What rate must be charged on the sale of face value vouchers which are sold before the increase in the VAT rate, but exchanged for goods after the rate change?</p>	<p>The sale of the face value vouchers is disregarded for VAT purposes. There is therefore no VAT implication at the point at which the voucher is sold. When the customer later redeems the voucher on or after 1 April 2018 as payment for specific goods or services, the supplier will merely charge VAT at the increased rate of 15%, as that is the VAT rate that applies at the time of supply of the goods.</p> <p>If the voucher was redeemed before 1 April 2018, the supplier would have charged VAT at the rate of 14%.</p>
<p>36.</p>	<p>What VAT rate applies if vouchers for specified goods or services are sold before the increase in the rate of VAT, but the supplies are only rendered after the rate change?</p>	<p>Vouchers for specified goods or services are not disregarded for VAT as in <b>Question 35</b>. As the voucher was sold before 1 April 2018, the tax rate of 14% must be applied. If the vouchers were sold on or after 1 April 2018, the tax rate of 15% applies. No VAT is payable on the redemption of the vouchers, as the VAT consequences are triggered on the sale of the voucher.</p> <p><b>Example</b></p> <p><i>A customer purchases a voucher for a massage treatment at R570 on 10 February 2018. The price includes VAT at the rate of 14%. The client books into the spa for the treatment on 4 April 2018. What rate must be charged?</i></p>

		<p>Although the services are actually only rendered on 4 April 2018, VAT must be charged at the rate of 14% as the voucher was sold before the increase in the VAT rate. The rate specific rule as explained in <b>Question 21</b> will not apply in this case, as it is normal business practice in this situation for an advance payment to be made in the form of a voucher purchase before the services are rendered.</p>
<p>37.</p>	<p>What VAT rate do I apply when issuing debit and credit notes for any subsequent price adjustments or returned sales?</p>	<p>When making any subsequent adjustment to the previously agreed price for supplies made before 1 April 2018, the debit or credit notes must be issued using the tax fraction 14/114. You must, however, keep in mind that there are special time of supply rules for certain supplies (see <b>Questions 9 to 12</b>) and other rate specific rules may have applied regarding the VAT rate charged on the original supply (see, for example, <b>Questions 13, 15 and 18 to 21</b>).</p> <p>If VAT was charged at the increased VAT rate of 15% and not 14% because of the application of a rate specific rule, then any debit or credit notes issued in respect of subsequent price adjustments must also be made using the same VAT rate that was charged on the original supply (that is, use the tax fraction 15/115 and not 14/114).</p> <p>Debit or credit notes relating to price adjustments for supplies made on or after 1 April 2018 must be made using the new tax fraction 15/115.</p> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li>• <b>Field 12</b> (output tax) must be used to indicate the VAT amount in respect of debit notes issued and credit notes received during the tax period; and</li> <li>• <b>Field 18</b> (input tax) must be used to indicate the VAT amount in respect of debit notes received and credit notes issued during the tax period.</li> </ul> <p>Refer also to <b>Question 60</b> regarding adjustments for returnable containers.</p>
<p>38.</p>	<p>What VAT rate do I apply when I write off any irrecoverable debts?</p>	<p>In line with the rule in <b>Question 37</b>, any subsequent write-off of irrecoverable debts must be made using the tax fraction that applied at the time the original supply was made. That is, multiply the old tax fraction 14/114 by the VAT-inclusive amount written off as irrecoverable if the original supply was made before 1 April 2018. The new tax fraction 15/115 must be used if the original supply was made on or after 1 April 2018.</p> <p><b>Example</b></p> <p><i>A photocopier machine is supplied under a one year rental agreement commencing on 1 March 2018, with monthly rentals becoming due at the end of each month. If the lessee took possession of the machine on 1 March 2018, and no invoice was issued or payment received, then VAT must be charged at 14% for the March 2018 rental. For periods from April 2018 onwards, VAT must be charged at 15%.</i></p> <p><i>If the lessee fails to pay any of the rental charges and such amounts are subsequently written off as irrecoverable by the supplier, then the tax fraction 14/114 will be used to calculate the input tax claim for the March 2018 rental. The tax fraction 15/115 is used in respect of any irrecoverable debts written off relating to periods from April 2018 onwards.</i></p>

		<p>Note that if the irrecoverable debts that were previously written off, are subsequently recovered, output tax must be declared in the tax period in which such debts were recovered. You must use the VAT rate that was applicable when the debt was written off (which would have been the same rate applicable to the original supply).</p>
<p>39.</p>	<p>I provide monthly consulting services to a client for a fixed fee. Which tax rate must I apply?</p>	<p>The answer is shown by way of the following two examples:</p> <p><b>Example 1</b></p> <p><i>If the invoice is issued in arrears on the first of the month for services supplied during the previous month, the supply is taxed at 14% even though the invoice is issued on 1 April 2018. This is because the services were rendered before 1 April 2018. The services supplied on or after 1 April 2018 are taxable at 15%. (See also <b>Questions 18 and 19</b>.)</i></p> <p><b>Example 2</b></p> <p><i>I am paid a retainer fee of R100 000 (exclusive of VAT) to provide taxable consulting services for 6 months over the period 15 March 2018 to 14 September 2018. I commence providing the services from 15 March 2018 and issue an invoice for the full amount on 1 April 2018. In this case, the rendering of the actual services commences on 15 March 2018 which is before the effective date of the VAT rate change.</i></p> <p><i>A fair and reasonable basis must therefore be used to apportion the value of the supply (that is R100 000) over the period 15 March 2018 to 14 September 2018. In other words, the value of services supplied before and on or after 1 April 2018 must be determined as follows:</i></p> <ul style="list-style-type: none"> <li>• <i>Value of services supplied before 1 April 2018 = R100 000 / 6 × 0.5 months = R8 333.33. Therefore VAT @ 14% on R8 333.33 = <u>R1 166.67</u></i></li> <li>• <i>Value of services supplied on or after 1 April 2018 = R100 000 / 6 × 5.5 months = R91 666.67. Therefore VAT @ 15% on R91 666.67 = <u>R13 750</u>.</i></li> </ul> <p>Unless otherwise agreed in writing, you may recover the additional tax amount relating to the rate change, from the client.</p>
<p>40.</p>	<p>What VAT rate applies if I supply building services over the period February to April 2018 and I am paid as the building work progresses?</p>	<p>The answer is shown by way of the following example:</p> <p><b>Example</b></p> <p><i>Assume a builder agrees to carry out building alterations for a client for R100 000 excluding VAT (or R114 000 including VAT at 14%). Payment in terms of the contract is as follows:</i></p> <ul style="list-style-type: none"> <li>• <i>50% of the price is paid upfront at the beginning of February 2018 before commencing the job;</i></li> <li>• <i>40% of the price is paid at the end of March 2018, provided sufficient progress on the work is completed as agreed; and</i></li> <li>• <i>10% is paid at the end of April 2018 once the job is completed.</i></li> </ul> <p><i>The supplies in this example are invoiced and paid for on a progressive basis. These types of supplies are dealt with in <b>Question 11</b>. In this example, VAT will be paid at 14% on the payments for the work done during February and March 2018. (R100 000 × 14% × 90% = <u>R12 600 VAT</u>.)</i></p>

		<p>The remaining payment of 10% will be subject to VAT at 15% and not 14% as the services were rendered on or after 1 April 2018. The builder will, however, be able to recover the additional VAT unless the parties have specifically agreed in writing that the original price could not be increased in the event of an increase in the VAT rate. (See also <b>Questions 16 and 17.</b>) Assuming that the contract allowed the supplier to recover the additional VAT charge, the final contract price and VAT is calculated as follows:</p> <table border="1" data-bbox="563 421 1463 645"> <thead> <tr> <th data-bbox="563 421 1013 488">Total VAT</th> <th data-bbox="1013 421 1463 488">Total VAT-inclusive contract price</th> </tr> </thead> <tbody> <tr> <td data-bbox="563 488 1013 533"><math>R100\ 000 \times 50\% \times 14\% = R7\ 000</math></td> <td data-bbox="1013 488 1463 533"><math>R100\ 000 + R14\ 100 = \underline{R114\ 100}</math></td> </tr> <tr> <td data-bbox="563 533 1013 566"><math>R100\ 000 \times 40\% \times 14\% = R5\ 600</math></td> <td data-bbox="1013 533 1463 566">(An overall increase of R100)</td> </tr> <tr> <td data-bbox="563 566 1013 600"><math>R100\ 000 \times 10\% \times 15\% = \underline{R1\ 500}</math></td> <td></td> </tr> <tr> <td data-bbox="563 600 1013 645"><u>R14 100</u></td> <td></td> </tr> </tbody> </table>	Total VAT	Total VAT-inclusive contract price	$R100\ 000 \times 50\% \times 14\% = R7\ 000$	$R100\ 000 + R14\ 100 = \underline{R114\ 100}$	$R100\ 000 \times 40\% \times 14\% = R5\ 600$	(An overall increase of R100)	$R100\ 000 \times 10\% \times 15\% = \underline{R1\ 500}$		<u>R14 100</u>	
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$R100\ 000 \times 10\% \times 15\% = \underline{R1\ 500}$												
<u>R14 100</u>												
41.	<p>I received a bill for my television licence fees for the 2018 calendar year in December 2017, but haven't paid it yet. If I pay the bill in April 2018, will I have to pay VAT at 15%?</p>	<p><b>No.</b> Although the bill relates to the 2018 calendar year, the invoicing for television licences is done in advance. Since the invoice was issued in December 2017, the normal time of supply rules were triggered in December 2017, at which time the VAT rate of 14% applied.</p> <p>If you paid the bill late, there may be interest charges, but there is no VAT payable on interest charges.</p>										
42.	<p>What sort of VAT issues should I look out for if I regularly import goods or use a clearing agent to process the documentation relating to my imports?</p>	<p>There are a number of administrative issues which you should be aware of, for example:</p> <ul style="list-style-type: none"> <li>• You need to inform your staff of the VAT rate increase and that they should be vigilant in checking any calculations or documentation in relation to imports in progress or any future imports.</li> <li>• Invoicing needs to be checked that the correct rate of VAT has been charged for the clearing services, especially if services are rendered over the period commencing before and ending on or after 1 April 2018.</li> <li>• Most importantly, if documentation was incorrectly issued on the assumption that VAT at the rate of 14% applies instead of 15%, that documentation will need to be corrected. You may therefore need to consult with your clients regarding your contracts to determine if the price of services can be increased (see <b>Questions 16 and 17</b>) and to collect any shortfall of VAT on importation. Also, whether new bills of entry need to be framed or corrected on the basis that the date of entry of goods for home use may be later than originally anticipated. Remember that goods entered for home consumption by Customs on or after 1 April 2018 will be subject to the new VAT rate of 15%.</li> </ul>										

43.	From when will the new VAT rate of 15% be charged on municipal services?	<p>Invoices for municipal services are usually issued after the services have already been rendered by the municipality. (See <b>Questions 18</b> and <b>19</b>.) Therefore, if invoices for services actually rendered during March 2018 are issued for payment on or after 1 April 2018, then VAT will be charged at the rate of 14%. VAT on services rendered on or after 1 April 2018 will be charged at the rate of 15%.</p> <p>Charges for property rates will not be affected as these charges are subject to VAT at the zero rate.</p> <p>Municipalities should therefore take care to ensure that their billing systems are able to distinguish the different VAT rates which may be applicable to one billing period. It should be noted that the VAT must be accounted for at the applicable rate, based on the relevant time of supply or rate specific rule, even if payment for those supplies is received later.</p> <p>See also <b>Question 6</b>.</p>
44.	What happens if I have paid in advance for goods early in February 2018, but the goods will only be delivered to me in April 2018?	<p>The normal time of supply rules (earlier of payment being made or an invoice being issued) would have triggered the time of supply in February 2018. The supplies will therefore be charged with VAT at the rate of 14% and no adjustment to the price is applicable unless you have agreed otherwise with the supplier.</p>
45.	My convenience store is open 7 days a week, 24 hours a day. Can I start charging VAT at 15% from 8 am on 1 April 2018?	<p><b>No.</b> You will have to make sure that your systems are changed and tested in time to charge VAT at the rate of 15% immediately after midnight on 31 March 2018. This rule is not affected by the fact that 1 April 2018 falls on a Sunday.</p>
46.	The services that I render as an administrator of estates involves the performance of a number of activities over a long period of time before I can submit a claim (issue an invoice) for my services. How will I know what rate of VAT to charge?	<p>Refer to <b>Questions 20</b> and <b>21</b>.</p> <p>You will have to make a fair and reasonable apportionment of the value of services rendered before and after 1 April 2018 and charge VAT at the applicable rates. The answer is shown by way of the following example:</p> <p><b>Example</b></p> <p><i>I am appointed as an executor of a deceased estate on 1 October 2017. I finalise the compilation of the Liquidation and Distribution Account (L&amp;D Account) before 31 March 2018. The Master of the High Court (the Master) examines the L&amp;D Account and makes it available for inspection by concerned parties after 1 April 2018. There being no objections to the L&amp;D Account, I finalise the estate on 31 May 2018, and issue my invoice based on the fee prescribed by the Master.</i></p> <p><i>The time of supply is triggered when the invoice is issued, and not when the estimated fee is incorporated in the L&amp;D Account. However, the invoice relates to services rendered before and after 1 April 2018. The VAT exclusive fee will therefore have to be apportioned on a fair and reasonable basis between the period 1 October 2017 until 31 March 2017 where the VAT rate of 14% applies, and the period from 1 April 2018 to 31 May 2018, where the rate of 15% applies.</i></p>

47.	<p>What rate must be used for the deemed supply under section 8(27) where an excess amount in respect of a taxable supply is not refunded within 4 months?</p>	<p>The answer is shown by way of the following example:</p> <p><b>Example</b></p> <p><i>A customer places an order and makes an advance payment of the full consideration for goods on 1 November 2017. An invoice for the goods is issued by the supplier on 1 December 2017 and the goods were delivered on 15 December 2017. At year-end (30 April 2018), a debtors' reconciliation was done and it was noted that the customer made another payment of the full consideration for the same supply on date of delivery. The supplier could not get hold of the customer as the business had closed.</i></p> <p><i>Section 8(27) provides that a deemed supply is triggered in these circumstances four months after the date of the duplicate payment. In this case, the time of supply for the deemed supply is 15 April 2018 (being four months after 15 December 2017). The supplier must therefore account for VAT on the deemed supply in the April 2018 tax period at the rate in force at the time. As the VAT rate increased on 1 April 2018, the supply is subject to VAT at the rate of 15% even though the original supply was subject to VAT at the rate of 14%.</i></p>
48.	<p>Do the rate specific rules override the general and specific time of supply rules for various types of supplies?</p>	<p><b>No.</b> The time of supply rules (section 9) determine the VAT reporting period in which output tax must be declared or input tax can be deducted. The rate specific rules (section 67A) determine the VAT rate to be applied when the time of supply is triggered.</p> <p>Whether a rate specific rule applies or not, you will still have to account for VAT based on the time of supply rules in section 9.</p> <p>Refer to <b>Questions 8 and 9.</b></p>
49.	<p>If I have to make an output tax adjustment in terms of section 22(3) because I have not paid for a supply made to me more than 12 months ago, what VAT rate applies?</p>	<p>You must declare output tax at the same rate indicated on the tax invoice that was issued to you at the time of the original supply.</p>
50.	<p>What VAT rate must I use for the April 2018 charge for the rental of a photocopy machine, which invoice will be issued on 1 April 2018?</p>	<p>The answer will depend on whether the rental charge becomes due for payment or when payment is received. Also, whether any invoice issued in regard to the rental indicates that payment is to be made in advance or in arrears. Some scenarios are as follows:</p> <ol style="list-style-type: none"> <li>1. If the rental payment is due or paid in advance (e.g. payable on 1 April 2018 for the month of April 2018), then the rate of 15% will apply.</li> <li>2. If the rental payment is due or paid in arrears (e.g. on 1 April 2018 for usage in March 2018), then the rate of 14% will apply.</li> <li>3. If the rental payment is due or paid in the middle of the month (e.g. on 15 April 2018 for the period 16 March 2018 to 14 April 2018), then you will have to allocate the VAT-exclusive charge according to the VAT rate that was applicable during those periods. Refer to <b>Question 39.</b></li> </ol> <p>Refer also to <b>Question 21</b> when the billing is done between 21 February 2018 and 31 March 2018.</p>

<p>51.</p>	<p>What VAT rate must be used for professional membership services?</p>	<p>The answer will depend on whether the membership fees are billed in advance or during the new membership period. Membership fees are generally billed in advance for a fixed period of 12 months being a calendar year.</p> <p>The scenarios are as follows (assuming a calendar year as the membership period):</p> <ol style="list-style-type: none"> <li>1. If the billing is done in advance (e.g. in December 2017 for the 2018 calendar year), then the rate of 14% will apply.</li> <li>2. If the billing is done on or after 1 January 2018 but before 1 April 2018 for the 2018 calendar year, then the rate of 14% will apply.</li> <li>3. If your billing is done on or after 1 April 2018 for the 2018 calendar year, then you will have to allocate the VAT-exclusive charge to the periods before and after April 2018 and charge VAT accordingly at 14% and 15% respectively. Refer to <b>Question 39</b>.</li> </ol> <p>Refer also to <b>Question 21</b> when the billing is done between 21 February 2018 and 31 March 2018.</p>
<p>52.</p>	<p>What VAT rate must I charge if I render services over a long period of time starting before and ending after 1 April 2018, but I may not issue an invoice for those services until some future event prescribed in a contract or in law?</p>	<p>This type of situation may occur, for example in the case of the billing for estate agent's commission or fees for the administration of estates. In the case of estate agents, certain conditions need to be fulfilled, for example, suspensive conditions in the contract of sale for the property must be fulfilled, or transfer of the property must be made before any invoice for the commission on the sale can be issued. In the case of administrators of estates, the billing for administration services cannot be done until the Master of the High Court has issued a notification that the final accounts of the estate are approved. In these cases, the time of supply is usually triggered at the time the invoice for services is issued under the general time of supply rule.</p> <p><b>Example</b></p> <p><i>An estate agent lists a property for sale on behalf of a client on 11 December 2017. The property is eventually sold on 1 February 2018, but the suspensive conditions in relation to the sale are only met on 3 March 2018. The property is transferred into the name of the purchaser by the conveyancing attorneys on 18 April 2018 and the estate agent issues an invoice for the services supplied on 22 April 2018.</i></p> <p><i>Payment of the commission is received on 30 April 2018. During the entire period, the estate agent supplied various services connected with the sale of the property, but no invoice was issued, as there was no entitlement to commission until the property was transferred.</i></p> <p><i>In this case, 22 April 2018 (date of the invoice) is the time of supply for the estate agent's services as that event occurred before 30 April 2018 (the date of payment of the consideration for the supply). However, the estate agent rendered services over the entire period 11 December 2017 to 22 April 2018. Therefore, as explained in <b>Question 20</b>, the VAT-exclusive value of services rendered must be split on a fair and reasonable basis between the period 11 December 2017 to 30 March 2018 and 1 April 2018 to 22 April 2018. VAT must then be charged at 14% and 15% respectively on the value of services for those periods.</i></p>

		See also <b>Questions 20</b> and <b>46</b> .
53.	When I charge VAT on my estate agent's commission, must I use the VAT rate that was applicable at the date the contract was concluded (being before 1 April 2018), or the date of transfer of the property to the purchaser (being after 1 April 2018)?	<p>The answer will depend on when the time of supply is triggered for your commission, and the period to which the services relate. Therefore neither of the dates mentioned will trigger the time of supply for VAT purposes. See <b>Question 52</b> which provides a comprehensive example to illustrate this point.</p> <p>The time of supply for estate agent's commission will normally be when you issue an invoice for the services that you have supplied. The date of conclusion of the contract or the date of registration of the property in the purchaser's name is therefore not necessarily relevant for VAT purposes unless it coincides with the general time of supply for VAT purposes (being the earlier of the date of invoicing or payment of the consideration for the supply).</p> <p>Refer also to <b>Questions 20</b> and <b>46</b>.</p>
54.	May I issue two tax invoices if I have to split the consideration for my services because I made supplies to a person starting before and ending after 1 April 2018?	<p><b>Yes</b>, if a vendor is unable to indicate the separate values and different VAT rates on a single tax invoice due to system invoicing constraints, that vendor may issue two separate tax invoices for the separate values which are subject to VAT at the rate of 14% and 15% respectively. This is on the basis that the transitional rules that deal with an increase in the VAT rate deem there to be two separate supplies in such cases.</p> <p>See also <b>Question 20</b>.</p>
55.	What happens if I was unable to change my systems or I notice that an error in my systems has resulted in me undercharging VAT and I am only able to correct the situation long after the change in the VAT rate?	<p>You should voluntarily disclose your situation to SARS as soon as possible and immediately pay any shortfall in VAT. You can then consider applying for any relief which may be available to you under the VDP (voluntary disclosure programme). Alternatively, you can apply to SARS to waive the penalty for late payment or interest charged on the shortfall.</p> <p>Note that specific rules apply under the VDP (refer to the <b>SARS website</b>) and if you are applying for the waiving of penalty and interest, you will need to meet certain requirements as prescribed in the VAT Act and in the Tax Administration Act (refer to the <b>VAT 404 – Guide for Vendors</b> for more details).</p>
56.	I issue manual invoices and I have an existing stock of pre-printed booklets of invoices and tax invoices indicating VAT at the rate of 14%. May I continue to use those invoices for supplies made on or after 1 April 2018 if I alter them to indicate VAT at 15%?	<p><b>Yes</b>. Although it is not recommended, as it increases the risk of error and fraud, SARS will allow you to use your existing stock of pre-printed invoices for a maximum period of 6 months (up to the end of October 2018) provided that you –</p> <ul style="list-style-type: none"> <li>• alter <b>all references</b> to the old rate of 14% on any invoices and related tax invoices to 15%, <b>including all carbon copies and any copy tax invoices</b>;</li> <li>• make the alteration(s) either manually (handwritten), or by mechanically overwriting (where possible) or by the use of non-removable stickers, or combination of those methods;</li> <li>• place an identifying marker next to each alteration in the form of a company stamp, signature of the person issuing the invoice or other method which clearly indicates that the alteration was made by the supplier and not the recipient.</li> </ul>

<p>57.</p>	<p>I lease offices to tenants and I recover certain expenses (e.g. municipal charges) from the tenants over and above the basic rental. How should I treat the recovery of expenses if they include VAT charges at both 14% and 15%?</p>	<p>The answer will depend on a number of factors. For example:</p> <ul style="list-style-type: none"> <li>• Are the expenses in respect of supplies made to you or to the tenant?</li> <li>• Are you recovering the expenses on the basis that they contractually form part of the variable portion of the agreed rental?</li> <li>• Are you recovering the expenses on the basis that you act as payment or collection agent for the tenant or the supplier of the services?</li> </ul> <p><b>Example 1</b></p> <p><i>A property owning company (landlord) lets offices to various tenants in buildings that it owns. The lease agreements indicate that a fixed rental is charged and that additional costs for water and electricity (municipal services) will be recovered from tenants as a variable part of the rental charge. The reason for this is that the landlord holds <b>all</b> the municipal accounts for the buildings in its own name and not the tenants. On 15 April 2018, the municipality issues an invoice for municipal services spanning the period 15 March 2018 to 14 April 2018. It therefore splits the consideration and VAT accordingly (i.e. 14% VAT charged for the period 15 -31 March 2018 and 15% VAT charged for the period 1-14 April 2018).</i></p> <p><i>In this case, the landlord is making a single supply of office space in return for consideration in the form of rental consisting of fixed and variable components. The landlord does not supply municipal services to the tenant. Therefore, as in the above example, if the rental charge is payable on 1 April 2018 in advance for the month of April 2018, the landlord must charge and account for VAT at 15% on the full rental (i.e. calculated on both the fixed and variable components of the rent). The landlord will then deduct input tax based on the separate rates of VAT which it has been charged by the municipality. The tenant will deduct input tax on the VAT-inclusive rental charge (at 15%) if that person is a vendor.</i></p> <p><b>Example 2</b></p> <p><i>Assume the same facts as in the above example, except that –</i></p> <ul style="list-style-type: none"> <li>• <i>the lease agreements indicate that additional costs for municipal services will be recovered from tenants and paid on their behalf to the municipality. The reason for this is that the landlord does not want to be held liable for arrear municipal charges due to the municipality by their tenants; and</i></li> <li>• <i>in addition, <b>only</b> the charges for municipal services to the landlord for the common property will form part of the variable component of the rental charge.</i></li> </ul> <p><i>In this case, the landlord will invoice the tenants and account for VAT on the rentals as explained in the example above. However, only the recovery of municipal charges for the common property will feature in the calculation of the variable part of the rentals. The other amounts which the landlord collects and pays to the municipality are payments made on behalf of the tenants and do not constitute rental charges for the offices.</i></p>
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		<p><i>If such payments feature on the rental statements/tax invoices issued by the landlord, they should be shown separately as disbursements. Any VAT on the amounts charged by the municipality to the tenants, or recovered and disbursed by the landlord on behalf of tenants will not feature in the VAT accounts (input tax and output tax) of the landlord. In this case, the tenants (if they are vendors) will deduct input tax at 15% on the rental charges by the landlord and will deduct input tax based on the separate rates of VAT charged to them by the municipality (provided that they hold the tax invoices issued by the municipality, or such tax invoices are held by the landlord as agent of the tenants).</i></p> <p><i>In this case, the landlord will only be able to deduct input tax on the municipal services in relation to the common property based on the separate rates of VAT charged by the municipality.</i></p> <p>Refer also to <b>Question 17</b> which deals with the calculation of consideration for a supply with reference to another amount.</p>
58.	<p>I run a holiday resort at a game farm where bookings are made and deposit payments are received for accommodation months in advance. What rate of VAT must I charge if the deposits are paid before 1 April 2018, but the accommodation is only supplied on or after 1 April 2018?</p>	<p>The answer will depend on a number of factors. For example:</p> <ul style="list-style-type: none"> <li>• When payments are received, are they booking “deposits” or advance payments of consideration for the accommodation?</li> <li>• What documents do you issue in response to receiving such payments or when requesting such payments? Are they -             <ul style="list-style-type: none"> <li>➢ invoices or receipts for prepaid services to be rendered later?</li> <li>➢ receipts which act as acknowledgment of deposits received?</li> <li>➢ booking confirmations?</li> </ul> </li> <li>• At what point in time does your business model or accounting/billing system recognise the relevant event that gives rise to income earned/consideration received in respect of the supply?</li> </ul> <p>Remember that VAT must be accounted for on commercial accommodation according to the general time of supply rules, that is, at the earlier of the time that any consideration is received, or when an invoice for the supply of services is issued.</p> <p><b>Example</b></p> <p><i>Assume the following facts:</i></p> <p><i>Accommodation at a game farm is provided on the following basis:</i></p> <ul style="list-style-type: none"> <li>• <i>Bookings must be made 3 months in advance to secure confirmation.</i></li> <li>• <i>50% of the full VAT-inclusive price of the accommodation must be paid upon acceptance of the booking. The amount is treated for accounting purposes as a “deposit” and is refundable to the guest if the booking is cancelled, subject to certain conditions. The amounts are held in a deposits account and are not recognised as “consideration” at that point.</i></li> <li>• <i>The other 50% of the price of the accommodation must be paid at least 30 days before the arrival of the guest (also treated as a deposit).</i></li> <li>• <i>The full deposit is only applied as consideration once the guest has completed the stay, at which time an invoice for the full amount is issued.</i></li> </ul>

		<p><i>Based on the above facts, if a quote is sent to a customer on 31 January 2018 (price including 14% VAT) and is accepted by the guest on 15 February 2018, for a stay at the game farm from 15 to 30 May 2018, then –</i></p> <ul style="list-style-type: none"> <li>• <i>the first 50% deposit would have been paid on the assumption that the supplies would have been charged with 14% VAT. (Both the quote and the payment having been made before the announcement of the VAT increase.);</i> <i>by the time that the balance of the 50% deposit was payable (15 April 2018), the supplier would have known that the original quotation would have to be adjusted and that an additional amount of VAT would have to be charged. This is because the supplies will only be made during the period 15 to 30 May 2018, at which time the VAT rate will be 15%;</i></li> <li>• <i>the time of supply for VAT purposes will be 30 May 2018 which is when the invoice will be issued and the deposit will be applied as consideration.</i></li> </ul> <p><i>Assuming the facts were different such where the accounting system recognises the second payment as triggering the time of supply, and simultaneously, the first “deposit” payment is applied as consideration for the supply of accommodation. In such a case, the full VAT charge of 15% would be payable as output tax by the supplier in the tax period covering the month of April 2018.</i></p> <p><i>If the guest was to cancel the booking on 20 April 2018, VAT at 15% would have to be charged on any amount forfeited.</i></p> <p>The point, therefore, is that different accommodation establishments work in different ways. There is therefore no single answer that can be provided which will apply to all accommodation establishments.</p>
<p>59.</p>	<p>I have been given permission by the Commissioner under section 20(7) not to issue tax invoices every month for my supplies. Must I amend all my contracts to indicate that VAT is charged to customers at 15% so that my customers can meet the documentary requirements for claiming input tax?</p>	<p>If the Commissioner has approved an arrangement which allows you not to issue tax invoices every month, for example, in the case of rental agreements, royalty agreements or short-term insurance, as explained in Binding General Rulings <b>14</b> and <b>27</b>, it will not be necessary for you to update all your contracts immediately to indicate that VAT at the new rate of 15% has been charged.</p> <p>You should, however, at least advise your clients by way of a written notice which indicates that the supplies made in terms of the affected contracts are subject to VAT at 15% from 1 April 2018. You can do this by –</p> <ul style="list-style-type: none"> <li>• posting a notice on your website;</li> <li>• sending an e-mail to your clients; or</li> <li>• sending any other form of written communication to your clients (whether in electronic form or otherwise),</li> </ul> <p>which can be printed or retained in electronic form by your customer as part of their records as proof that input tax may be claimed at the new rate of 15%.</p> <p>It is recommended that the contracts be amended where applicable as soon as possible after 1 April 2018 if there is no termination date in the contract, or upon renewal (as the case may be).</p> <p>See also <b>Question 25</b>.</p>

<p>60.</p>	<p>What VAT rate must I apply when I supplied gas in returnable containers before the VAT rate increase, but the containers are returned for credit on or after 1 April 2018?</p>	<p>Refer to <b>Question 37</b> for adjustments in general relating to credit notes.</p> <p>The treatment of credits for returnable containers that are supplied together with other products to customers (which are included in the price) will depend on a number of aspects such as –</p> <ul style="list-style-type: none"> <li>• the contractual arrangements with customers;</li> <li>• the general accounting policy that you apply in your business;</li> <li>• the manner in which the business transaction is normally conducted; and</li> <li>• whether you buy used containers from third persons.</li> </ul> <p>Following from what has been stated in <b>Question 37</b>:</p> <ul style="list-style-type: none"> <li>• A credit note signifying a credit adjustment will be issued which will relate to the original supply (i.e. make the adjustment at either 14% or 15%, depending on the rate that was applied at the original time of supply of the returnable goods). This will apply when you can identify the original supply to which the adjustment applies.</li> <li>• If the returnable containers relate to many past supplies which cannot be identified individually, then you should make a fair and reasonable appropriation in accordance with your accounting policy that governs such matters and make the credit adjustments at 14% or 15%, as the case may be. If you are unable to do this, then you will make the credit adjustment using the VAT rate that applies at the time the returnable containers are supplied to you (i.e. 15% on or after 1 April 2018).</li> <li>• If your customer continually returns with the same gas containers to be refilled, then only the gas is supplied and there is no credit adjustment event until the container is returned to you (in which case you will then apply what has been stated above).</li> <li>• If you buy used containers from customers who are vendors then that is a new transaction and not a credit adjustment event. You will therefore either pay VAT at 14% or 15% depending on whether the time of supply for those goods was before, or on or after 1 April 2018. You may then claim input tax accordingly, based on a tax invoice from the supplier.</li> <li>• If you buy used containers from customers who are not vendors, then once again, this is not a credit adjustment event. You will not pay any VAT to the supplier, but you will be able to deduct notional input tax using the tax fraction that was applicable as at time of supply when you bought the containers (subject to the normal documentary requirements for claiming notional input tax).</li> <li>• Whilst the above rules have been explained in the context of returnable (gas) containers, the same rules will apply to packing pallets and other returnable items included in the price of products supplied to your customers.</li> </ul>
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61.	<p>Will SARS be updating all VAT guides and other published documents soon to reflect the new VAT rate of 15% and can I rely on these documents even though the rate of 14% is referred to in these documents?</p>	<p>The VAT guides and other published documents by SARS will be reviewed on an ongoing basis with the intention of updating the reference to the changed VAT rate (where applicable) and to update specific areas where tax certainty/clarity is needed or where the legislation has changed warranting a substantial updating of the document.</p> <p>Documents that are more general in nature such as the <b>VAT 404 – Guide for Vendors</b> will be prioritised for updating as soon as possible. Similarly, any other documents that focus on issues concerning changes to the VAT rate will be prioritised. These documents can still be relied upon, except that reference to the 14% VAT rate must be substituted with the increase rate of 15% where applicable and in the context of the reference.</p> <p>Until the prioritised documents can be updated, the FAQs and related answers in this document will constitute the primary information resource that can be relied upon to deal with issues concerning the increase in the standard rate of VAT. In addition, as mentioned on page 2 of these FAQs, if your particular question is not addressed in this document, you can direct that question to <b>VATRateEnquiries@sars.gov.za</b>.</p>
62.	<p>My office rent is due and payable on 1 April 2018 for the month of April 2018. However, the landlord issued an invoice for the April 2018 rent on 25 March 2018 to reflect the 15% VAT charged. Can I claim the 15% VAT charge on the invoice in the tax period ending March 2018?</p>	<p>The time of supply for goods under a rental agreement is not triggered by the issuing of an invoice, but rather, when the rental payment is due, or it is paid.</p> <p>The landlord is therefore correct to charge you 15% VAT on the office rent for April 2018, but whether you can claim it in the tax period ending March 2018 will depend on whether –</p> <ul style="list-style-type: none"> <li>• you actually paid the rent before the due date; and</li> <li>• it is a normal business practice to pay the rent before it is due (see <b>Question 21</b>).</li> </ul> <p>You may therefore only claim the VAT charged at 15% in the tax period ending March 2018 if you meet the above conditions, in which case, refer to <b>Question 34</b>.</p>
63.	<p>With reference to <b>Questions 33 and 34</b> how must I complete my VAT201 return if I have either extended or reduced my tax period in terms of the 10-day rule so that it spans 1 April 2018?</p>	<p>The VAT Act allows a vendor to close off a tax period within 10 days before or after the last day of the calendar month concerned in which the tax period ends (the 10-day rule). Vendors that choose to use the 10-day rule must apply it consistently with reference to a fixed day or date. If you close off your tax period 10 days earlier or later in accordance with the 10-day rule then you must apply the same principles as explained in <b>Question 34</b>.</p> <p>In other words, where the VAT201 return for the period calculates the standard rate of VAT at 14% (i.e. the March 2018 VAT201 form), any <b>VAT</b> charged by you at the rate of 15% must be disclosed in <b>Field 12</b> (output tax) of the VAT201, which is calculated by applying the tax fraction (15/115) to the VAT-inclusive sales. Any <b>VAT</b> charged to you at the rate of 15%, must be disclosed in <b>Field 18</b> (input tax) of the VAT201.</p>

		<p>Similarly, where the VAT201 return for the period calculates the standard rate of VAT at 15% (i.e. from the April 2018 VAT201 form and onwards), any <b>VAT</b> charged by you at the rate of 14% must be disclosed in <b>Field 12</b> (output tax) of the VAT201, which is calculated by applying the tax fraction (14/114) to the VAT-inclusive sales. Any <b>VAT</b> charged to you, at the rate of 14% must be disclosed in <b>Field 18</b> (input tax) of the VAT201.</p> <p><b>Example 1</b></p> <p><i>A vendor registered on Category A (e.g. tax period covering the months February and March 2018) always closes off the accounts for the business 5 days <b>after</b> the end of the tax period. Therefore the tax period ending March 2018 will run from 6 February to 5 April 2018. In this case the vendor must declare any <b>VAT</b> charged or incurred at 15% from 1 April 2018 to 5 April 2018 in <b>Field 12</b> (output tax) and <b>Field 18</b> (input tax) for that tax period. (This is because the VAT201 form for February/March 2018 will calculate the standard-rated supplies made at 14%.)</i></p> <p><b>Example 2</b></p> <p><i>A vendor registered on Category B (e.g. tax period covering the months March and April 2018) always closes off the accounts for the business 2 days <b>before</b> the end of the tax period. Therefore the tax period ending April 2018 will run from 27 February to 28 April 2018. In this case the vendor must declare any <b>VAT</b> charged or incurred at 14% from 27 February 2018 to 31 March 2018 in <b>Field 12</b> (output tax) and <b>Field 18</b> (input tax) for that tax period. (This is because the VAT201 form for March/April 2018 will calculate the standard-rated supplies made at 15%.)</i></p>
<p>64.</p>	<p>With reference to <b>Questions 33 and 34</b> how must I complete my VAT201 return for any change in use adjustments for goods or services acquired when the 14% VAT rate applied, but the change of use occurs on or after 1 April 2018?</p>	<p>The following should be noted with regard to change in use adjustments:</p> <ul style="list-style-type: none"> <li>• The time of supply is when the actual change in use occurs;</li> <li>• There are no rate specific rules that apply in the case of change in use adjustments;</li> <li>• <b>Field 10</b> (output tax) and <b>Field 16</b> (input tax) are the correct fields on the VAT201 form to be completed when there is a change in use adjustment to be made at the rate of 15%.</li> </ul> <p>Therefore, if goods were bought before 1 April 2018, the following will apply on any subsequent change in use on or after 1 April 2018:</p> <ul style="list-style-type: none"> <li>• Goods or services used for non-taxable purposes and subsequently brought into the VAT-registered business for taxable use will give rise to an input tax adjustment made at 15% in <b>Field 16</b> of the relevant VAT 201 return.</li> <li>• Goods or services used for taxable purposes and subsequently taken out of the VAT-registered business for non-taxable use will give rise to an output tax adjustment at 15% in <b>Field 10</b> of the relevant VAT201 return.</li> </ul> <p>If you omitted to declare output tax in <b>Field 10</b> at 15% for any change in use adjustment for any tax period ending on or after the end of April 2018, then you must correct <b>Field 10</b> of <u>that return</u> by doing an RFC on eFiling (see <b>Questions 27 and 30</b>). You will follow the same steps when correcting any such omission in <b>Field 10</b> (at 14%) for any return ending before the end of March 2018.</p>

**FAQs: Increase in the VAT rate from 1 April 2018**

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		<p>If you have omitted to claim input tax in respect of a change in use adjustment which you should have declared in <b>Field 16</b> at 14% on your VAT 201 return for any tax period ending before April 2018, then you can claim such amount in your current return. You will, however, have to calculate the amount at 14% and claim it in <b>Field 18</b>.</p>
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