

2008

Changes to VAT Registration and Refund Process

Friday 7 November 2008 – In February this year SARS introduced a simplified VAT registration process as part of our on-going commitment to ease administrative burden, especially of small business, to facilitate economic growth.

This process, by which applicants instantly receive VAT registration numbers, has significantly improved the access of small businesses to the formal economy but has, at the same time, created opportunities for abuse.

Monitoring of VAT registrations and refunds over the past six months by SARS has revealed an increase in attempted fraudulent registrations and other attempts to defraud the VAT system.

This cannot be allowed and SARS has taken steps to secure the system from criminal elements and anyone within SARS colluding with them. Today a VAT vendor was arrested by Germiston SAPS in conjunction with SARS for suspected VAT fraud. The suspect registered a company for VAT and submitted fraudulent VAT claims of R305 000-00 since February this year. And over the past year a total of 29 SARS staff and their accomplices have been arrested and a further 41 staff members dismissed.

As part of our commitment to safeguard taxpayer money, SARS is considering a range of additional security and verification measures to the VAT registration and refund process. Among these are to introduce “FICA-type” validation procedures for VAT registration.

We have engaged with stakeholders including practitioner representative organisations around these measures to ensure that while protect the fiscus we also retain the efficiency of the system.

SARS will be meeting with representatives of the South African Institute of Chartered Accountants (SAICA) and the South African Institute of Professional Accountants (SAIPA) in the coming week to explore ways to achieve both these ideals.

VAT fraud cannot be allowed to undermine the integrity of the tax system and the commitments of honest taxpayers to fund the growth and development of our country.

For more information please contact
Adrian Lackay (Alackay@sars.gov.za) – 0833882580 or
Malerato Sekha (Msekha@sars.gov.za) – 0824678579 or
Bulelwa Norushu (Bnorushu@sars.gov.za) – 012 422 4646

SARS Media
Email: SARSMedia@sars.gov.za

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