

EXTERNAL GUIDE

VAT REFUNDS IN TERMS OF PART 1 OF VAT EXPORT REGULATION NO. 316

TABLE OF CONTENTS

1	SUMMARY OF MAIN POINTS	3
2	POLICY	3
3	RELATED INFORMATION	7
3.1	Legislation	7
3.2	Cross References	7
3.3	Quality Records	7
4	DEFINITIONS AND ACRONYMS	7
5	DOCUMENT MANAGEMENT	8

1 SUMMARY OF MAIN POINTS

- a) The VAT Export Refund requirements detailed in Part 1 of the Value Added Tax (VAT) Export Regulation No. 316, Government Gazette No. 37580 provides for the:
 - i) Submission of claims by the qualifying purchaser; and
 - ii) Payment of VAT refunds to the qualifying purchaser.
- b) **It entails** indirect exports of movable goods, according to the definition of “exported’ in Section 1 (1) of the VAT Act No. 89 of 1991, that are exported as:
 - i) Hand luggage by travellers travelling by air or road; or
 - ii) Commercial goods exported by road, air and sea through a designated port of exit.
- c) The scheme excludes **VAT in respect of movable goods temporarily imported into South Africa for service.**
- d) The role players in the Scheme are the vendor, the qualifying purchaser, SARS (Customs, VEIS and Debt Equalisation teams), as well as the **VAT Refund Administrator (VRA).**

2 POLICY

- a) **VAT is levied on goods supplied by the vendor to the qualifying purchaser.**
- b) **The qualifying purchaser is entitled to claim refund of VAT such refund of such VAT upon exportation of goods which must take place at a designated port.**
- c) **To qualify for a refund:**
 - i) **The Qualifying Purchaser must ensure that he/she purchases goods from a registered Vendor.**
 - ii) **The Vendor must supply the goods at a standard rate and upon purchase; issue the Qualifying Purchaser with an original commercial invoice bearing the invoice number, date and the VAT registration number of the business supplying the goods.**
 - iii) **The tax amount being claimed must be more than R250.**
- d) **The qualifying purchaser is entitled to claim refund of VAT such refund of such VAT upon exportation of goods which must take place at a designated port.**
- e) Where movable goods are exported **by the qualifying purchaser himself/herself via a designated commercial** port of exit:
 - i) The Qualifying Purchaser must declare the goods to Customs.
 - ii) The Qualifying Purchaser must present himself/herself and the movable goods and the tax invoice to a VRA Official. **In the case of commercial goods, proof for release of goods can be used as proof that goods have been released by Customs. Refer to the Clearance Declaration – External Standard SC-CF-55 document for different types of release documents applicable to specific mode(s) of transport. In the case of non-commercial goods for travellers, a TRD 1 must be used as proof of declaration, refer to SC-PA-01-01**
 - iii) The VRA official must examine the movable goods to ensure that they correspond with the description on the tax invoice.
 - iv) The VRA official must endorse and return each tax invoice to the qualifying purchaser.
 - v) The VRA official must issue a VAT 255 summarising the tax invoice details.
 - vi) The qualifying purchaser must sign the VAT 255 as confirmation of the correctness of the details it contains.
 - vii) A copy of the VAT 255 must be issued to the qualifying purchaser.
- f) Where movable goods are exported by **the qualifying purchaser himself/herself via a designated** port where the **VRA is not present:**
 - i) The qualifying purchaser may request the VRA for a refund by submitting a letter that must:
 - Explain the circumstances; and

- State the qualifying purchaser's postal address.
- ii) The following documents must be attached to the letter:
- The original tax invoice.
 - A copy of the qualifying purchaser's:
 - Passport; or
 - Trading license, as well as the letter of authorisation and a copy of the authorised person's passport; or
 - Passport and a letter from the relevant diplomatic or consular mission stating that the foreign diplomat is departing from South Africa permanently; and
 - Where the qualifying purchaser was in South Africa at the time of purchase, the copy of his/her passport must include those pages containing the endorsement reflecting entry into South Africa and the endorsement reflecting exit from South Africa.
 - Proof that the qualifying purchaser declared the movable goods for Customs purposes in his/her country of residence.
 - A copy of the export documentation prescribed by the Customs Act. Proof of export for commercial goods is detailed in SC-TR-01-03-A6 (Acquittal Document Requirements) which is available internally and externally.
 - In the case of export by air: a copy of the air waybill as well as the flight number and the date and place of departure.
 - In the case of export by sea: a copy of the bill of lading which must contain a full description of the movable goods to be exported. In the case where the movable goods of more than one (1) person are exported in one (1) consignment and only one (1) bill of lading is issued, such bill of lading must be accompanied by an annex issued by a clearing agent containing a full description of the movable goods supplied by each vendor. This description must specify the quantity or mass, as well as the value of the relevant movable goods.
 - In the case of export by rail:
 - A copy of the freight transit order issued by Spoornet; and
 - A copy of the combined consignment note and invoice issued by Spoornet.
- iii) No refund will be made where the refund is not requested and fully motivated within three (3) months from date of export.
- g) Where movable goods are exported **by the qualifying purchaser's cartage contractor**:
- i) The qualifying purchaser may apply for a refund if:
- Vendor delivers the movable goods to an export depot, harbour, airport, railway station or courier service in South Africa; or
 - Qualifying purchaser's cartage contractor takes possession of the movable goods at the premises of the vendor; or
 - Qualifying purchaser or his/her agent delivers the movable goods to an export depot; and
 - Movable goods are exported via a Category A, B or C port of exit; and
 - Movable goods are declared to Customs; and
 - Movable goods have been received by the qualifying purchaser at an address in the qualifying purchaser's country of residence.
- ii) The qualifying purchaser may request the VRA for a refund by submitting a letter that must:
- Explain the circumstances; and
 - State the qualifying purchaser's postal address.
- iii) The following documents must be attached to the letter:
- The original tax invoice.
 - A copy of the qualifying purchaser's:
 - Passport; or
 - Trading license, as well as the letter of authorisation and a copy of the authorised person's passport; or
 - Passport and a letter from the relevant diplomatic or consular mission stating that the foreign diplomat is departing from South Africa permanently; and
 - Where the qualifying purchaser was in South Africa at the time of purchase, the copy of his/her passport must include those pages containing the endorsement reflecting entry into South Africa and the endorsement reflecting exit from South Africa.
 - Copy of the invoice from the qualifying purchaser's cartage contractor to the qualifying purchaser.

- Proof that the qualifying purchaser declared the movable goods for Customs purposes in his/her country of residence.
 - A copy of the export documentation prescribed by the Customs Act. Proof of export for commercial goods is detailed in SC-TR-01-03-A6 (Acquittal Document Requirements) which is available internally and externally.
 - In the case of export by air: a copy of the air waybill as well as the flight number and the date and place of departure.
 - In the case of export by sea: a copy of the bill of lading which must contain a full description of the movable goods to be exported. In the case where the movable goods of more than one (1) person are exported in one (1) consignment and only one (1) bill of lading is issued, such bill of lading must be accompanied by an annex issued by a clearing agent containing a full description of the movable goods supplied by each vendor. This description must specify the quantity or mass, as well as the value of the relevant movable goods.
 - In the case of export by rail, a copy of the:
 - Freight transit order issued by Spoornet; and
 - Combined consignment note and invoice issued by Spoornet.
- h) Where movable goods are exported through a port not designated for the purposes of VEIS, this may be allowed in exceptional circumstances on application to and after approval by the Controller/Branch Manager of the nearest designated port of exit.
- i) Where the movable goods consist of **second-hand goods** and a notional input tax credit was claimed by the vendor or any other person who is a connected person in relation to the vendor when the goods were acquired, the refund (by the VRA) will represent only the amount of tax in excess of the notional input tax claimed. These principles are contained in the proviso to Section 11(1) read with the Section 10(12) of the VAT Act.
- j) In the case of registrable goods, the refund will only be issued to the qualifying purchaser after proof of registration of the goods in the qualifying purchaser's country of residence has been submitted to the VRA. The proof must consist of a copy of the registration certificate certified by a commissioner of oaths.
- k) The refund will be issued on a cheque valid for three (3) months from the date of issue.
- l) Cheques will be in South African currency, except in the case of qualifying purchasers resident in Botswana in which case the cheque will be in the Botswana currency.
- m) Cheques will be payable world-wide, except in South Africa. However, where the qualifying purchaser is resident in **Botswana and Namibia**, the cheque will only be payable in the country of residence.
- n) A refund will be considered only where the VAT inclusive total value of all purchases exported at one (1) time exceeds R250 per qualifying purchaser.
- o) No tax refund will be made where the qualifying purchaser exports the movable goods more than ninety (90) days from the date of the invoice.
- p) Refunds will be issued in terms of Section 44(9) of the VAT Act.
- q) **The VAT refund must be issued on a pre-loaded debit card for refund exceeding R300 but not exceeding R3000. The Qualifying Purchaser may elect to be issued with a cheque in the currency of South Africa and cash it at Bureau de Change.**
- r) **In the case of refunds exceeding R3000, the Qualifying Purchaser may elect to choose EFT after approval by the Commissioner.**
- s) **Cheques or EFT must be made in the currency of the export country in the case of Botswana and Namibia.**

- t) The VRA will deduct a commission from the tax refundable to the qualifying purchaser to cover the administration costs of the Scheme. The commission will be calculated at a rate of 1, 5% of the VAT inclusive price, with a minimum charge of R10 and a maximum charge of R250 per refund.
- u) No refund shall be made to permanent residents of South Africa.
- v) Where the person travels on a permit endorsed “accompanying husband/wife” the refund will depend on the status of the accompanied person.
- w) Export of movable goods to Lesotho or Swaziland:
- i) VAT cannot be refunded by the VRA on movable goods when exported from South Africa to Lesotho and Swaziland as SARS pays VAT refunds directly to the two (2) governments.
 - ii) The purchaser does not pay VAT to the Lesotho Revenue Authority (LRA) and Swaziland Revenue Authority (SRA) on importation of movable goods exported to the two (2) countries, except in respect of:
 - Goods supplied by a South African registered vendor at zero rate in respect of:
 - Zero rated foodstuff; and
 - Direct exports
 - Goods supplied by a South African supplier who is not registered for VAT in South Africa.
 - iii) Where the two (2) countries wish to recover VAT paid in South Africa on goods exported to Lesotho and Swaziland, they must submit the claims to the VRA. The claims must conform to the following:
 - In the case of new goods worth more than R5 000 (including South African VAT), the purchaser (whether registered for VAT in the two (2) countries or not) must submit the following:
 - A completed VAT refund envelope;
 - The export declaration endorsed by SARS Customs and/or a release notification and
 - The original South African standard rated tax invoices.
 - In the case of new goods worth less than R5 000 (including South African VAT):
 - Where the purchaser is not registered for VAT in the two (2) countries he/she must submit to the LRA/SRA a completed VAT refund form and the original South African standard rated tax invoices.
 - Where the purchaser is registered for VAT in Lesotho/Swaziland he/she must submit to the LRA/SRA a completed VAT refund envelope and the original South African standard rated tax invoices.
 - The South African tax invoice submitted must be original and must contain:
 - The South African VAT registered supplier’s VAT registration number;
 - The invoice number;
 - The invoice date; and
 - The VAT amount paid or an indication that VAT is included at the standard rate.
 - The LRA/SRA must batch and process claims for new goods as well as second hand goods separately for submission to SARS.
 - iv) In addition to (iii) above in the case of second hand and registrable goods, the claim must also conform to the following:
 - The movable goods must be exported from South Africa via
 - The designated land ports; and
 - By rail via Maseru Bridge or air via OR Tambo International Airport in the case of Lesotho.
 - The movable goods must be exported from South Africa within ninety (90) days from the date of the tax invoice.
 - The request together with the relevant documentation must be received by the VRA within three (3) months of the date of export.
 - Claims of less than R 250 will not be paid to the LRA/SRA.
 - The claim must be accompanied by:
 - VAT 255;
 - Valid tax invoice;
 - Copy of the police clearance certificate; and
 - Copy of the South African vehicle registration certificate.
 - v) The VAT refund form (for individuals) or VAT refund envelope (for businesses).

3 RELATED INFORMATION

3.1 Legislation

TYPE OF REFERENCE	REFERENCE
Legislation and Rules administered by SARS:	Customs and Excise Act No. 91 of 1964: Section 6, 15 and 38(3) Customs and Excise Rules: 120A Value-Added Tax Act No. 89 of 1991: Sections 1, 7(1), 10(12), 11(1), 20, and 44(9). General Notice No. 2761 of 1998: VAT Export Incentive Scheme

3.2 Cross References

DOCUMENT #	DOCUMENT TITLE
QMS-01	Quality Management System Manual
SC-CF-04	Completion of Declarations - External Manual
SC-PA-01-11	Traveller Processing - External Directive

3.3 Quality Records

Number	Title
VAT 255	Purchases in terms of the export incentive scheme
VAT 264	Declaration in respect of the acquisition of moveable second-hand or repossessed goods

4 DEFINITIONS AND ACRONYMS

Commissioner	The Commissioner for the South African Revenue Service
Designated Commercial Port	<p>The commercial ports defined in Rule 120A.03 are as follows:</p> <p>a) Land ports</p> <ul style="list-style-type: none"> i) Between the Republic and Botswana: Grobler's Bridge, Kopfontein, Skilpadshek and Ramatlabama. ii) Between the Republic and Zimbabwe: Beit Bridge iii) Between the Republic and Mozambique: Lebombo iv) Between the Republic and Lesotho: Qacha's Nek, Ficksburg Bridge, Maseru Bridge, Caledonspoort and Van Rooyenshek. v) Between the Republic and Namibia: Nakop and Vioolsdrift. vi) Between the Republic and Swaziland: Mananga, Jeppes Reef, Oshoek, Nerston, Mahamba and Golela. <p>b) Airports: Cape Town International, King Shaka International, Gateway (Pietersburg /Polokwana), Kruger Mpumalanga, Pilanesberg, OR Tambo International, Lanseria, Nelspruit, Port Elizabeth, Bloemfontein.</p> <p>c) Harbours: Cape Town, Durban, East London, Port Elizabeth, Port of Ngqura, Richards Bay, Mossel Bay and Saldanha.</p> <ul style="list-style-type: none"> o Railway Stations: Germiston, Golela. Mafikeng, Maseru Bridge, Upington and Johannesburg.
Export depot	The premises of a qualifying purchaser's cartage contractor
Indirect Export	Where movable goods are supplied by a vendor under a sale or instalment credit agreement and removed from South Africa by the qualifying purchaser or by the qualifying purchaser's cartage contractor for conveyance to an export country, in accordance with the provisions of the Scheme

LRA	Lesotho Revenue Authority
Qualifying Purchaser	Where movable goods are supplied by a vendor to a purchaser who is: <ul style="list-style-type: none"> • A NON-RESIDENT <ul style="list-style-type: none"> ○ A person who is not a South African passport holder, who is not in South Africa at the time of the supply, who is a permanent resident of an export country and who orders movable goods from South Africa and has such goods exported on his/her behalf by a qualifying purchaser's cartage contractor. • A TOURIST <ul style="list-style-type: none"> ○ A person who is not a South African passport holder, who travels to South Africa on a non-resident travel document and exports movable goods from South Africa in accordance with the provisions of the Scheme and is a permanent resident of an export country who is on a temporary visit to South Africa. • A FOREIGN ENTERPRISE <ul style="list-style-type: none"> ○ An enterprise or business which is carried on continuously or regularly by any person (including South African passport holders) in an export country in the course or furtherance of which goods and services are supplied to any other person for a consideration. • A FOREIGN DIPLOMAT <ul style="list-style-type: none"> ○ Where a diplomat who was stationed in South Africa is departing from South Africa permanently upon conclusion of his/her term of duty and who is exporting the movable goods in accordance with the Scheme.
Qualifying Purchaser's Cartage Contractor	A person who is registered under the VAT Act as a vendor, transport being its main activity, and who has been engaged by the qualifying purchaser for a consideration in money to transport and deliver the movable goods to him/her at an address in the qualifying purchaser's country of residence. For the purposes of the Scheme, qualifying purchaser's cartage contractor includes couriers and freight forwarders.
Registrable Goods	Goods consisting of any aircraft, ship or other vessel, motor cycle or other vehicle, caravan or trailer in respect of which any form of registration is required under any law in force in South Africa or any similar law in force the qualifying purchaser's country of residence
Standard Rate	Tax levied in terms of Section 7(1)(a) of the VAT Act
Tax	Tax chargeable in terms of the Act.
Tax invoice	Tax invoice as prescribed in Section 20 of the VAT Act
The Scheme	Part 1 of the VAT Export Incentive Scheme, published as Notice 2761 in Government Gazette 19471 of 13 November 1998
VAT	Value-Added Tax
Vendor	A person registered in terms of the VAT Act
VRA	The VAT Refund administrator appointed by the Commissioner to administer the refund of tax of Part 1 of the Scheme

5 DOCUMENT MANAGEMENT

Document Owner	Executive: Governance
Detail of change from previous revision	<ul style="list-style-type: none"> a) Inclusion of Swaziland Revenue Authority arrangements emanating from the MOU signed between South Africa and Swaziland. b) Change of name from VAT Refunds on Indirect exports to VAT Refunds in terms of VAT Export Regulation No. R.316.
Template number and revision	GC-TM-03 - Rev 9