

VAT NEWS

keeping vendors informed

SEPTEMBER 2003 No. 22

DISPUTE RESOLUTION

New rules with regard to dispute resolution were implemented by SARS with effect from 1 April 2003. These rules further regulate certain timeframes within which objections must be dealt with by SARS.

For more information visit the SARS website www.sars.gov.za/dr or pick up an information brochure at your local SARS Branch office.

VAT REFUNDS : LESOTHO BORDER

Lesotho introduced VAT at the standard rate of 14% on 1 July 2003. Any person importing goods into Lesotho from South Africa will be liable for the VAT on importation. (See Media Release 10 dated 3 July 2003 for more details).

Certain changes have been introduced regarding **indirect exports** and VAT refunds at the designated points of entry into Lesotho.

Where Lesotho residents and businesses buy goods in South Africa and export them to Lesotho, they may claim refunds for the South African VAT paid, provided they are "qualifying purchasers." In terms of the new arrangement, the South African VAT refund is not paid to the qualifying purchaser, but is credited against the VAT levied by Lesotho on importation. Tax invoices for the goods concerned must have been lodged with the Lesotho Customs officers to qualify for this dispensation. SARS pays the VAT refunded to the Lesotho Revenue Authority (LRA).

This credit mechanism will not apply in respect of second-hand goods, but a claim for a refund of the South African VAT may, however, still be lodged with the LRA.

There are separate refund procedures for Lesotho vendors and non-vendors which are set out in information pamphlets which can be obtained from the LRA at the borders.

Lesotho will not levy VAT on imports of less than R150. The South African VAT will also not be refunded on such exports.

Exports exceeding R5 000 are regarded as "commercial exports" and a CCA1 declaration must be completed and submitted to both the SARS and the LRA officials at the border.

The arrangement does not extend to any direct exports from South Africa, or other goods on which no South African VAT has been charged (e.g. zero-rated foodstuffs). When these goods are imported into Lesotho, the LRA will levy 14% VAT on importation. This amount is payable by the importer.

INTERNET PAYMENTS

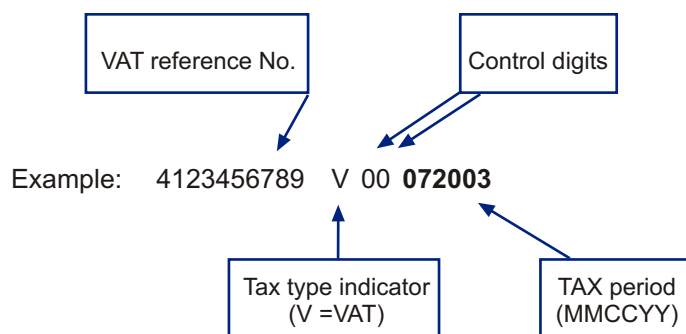
If you use Internet banking to make payments to SARS, the following options are available to you:

1. Same-day service;
2. One-day service;
3. Two-day service; and
4. Real-time service.

Please ensure that the option chosen will result in the payment being received at SARS on or before the due date. Any delay resulting from the processing of your payment from your bank account to the SARS bank account will result in penalties and interest being imposed.

You must quote the 19-digit reference number in the space provided for the beneficiary reference. Unless these details are given the payment will not be allocated to your account.

The VAT reference number, tax type and control digits remain the same, but please remember to change the tax period indicator. Below is an example of the reference number for a vendor's payment in respect of the tax period ending July 2003.



Also ensure that your VAT 201 return is forwarded to reach SARS on or before the 25th of the relevant month. Separate payments must be effected for each tax period.

SUB-LETTING OF DWELLINGS

No VAT is levied on the letting of dwellings under a lease agreement, even if one person lets out a number of residential dwellings to another person or company who sub-lets them as dwellings.

As long as the nature of the supply under both the main lease and the sub-lease constitutes the letting of a "dwelling" (or dwellings) as defined in section 1 of the Act, the exemption in terms of section 12(c) of the Act will apply.

However, if the nature of the supply under the sub-lease is different to the main lease, for example, if one of the dwellings is let as office premises, the exemption will not apply. VAT must therefore be levied in respect of the office premises supplied under both the main lease and the sub-lease.

SARS LAUNCHES FREE E-FILING SERVICE

We are pleased to announce that with effect from 14 July 2003, SARS will be hosting a new e-Filing service which will provide taxpayers with the facility to submit returns and payments electronically via the internet. This service will now be offered **free-of-charge** to vendors, employers and provisional taxpayers.

To learn more about how to register for the service, simply visit www.sarsefiling.co.za or call 0860 709 709 or send an e-mail to info@sarsefiling.co.za

ELECTRONIC TAX INVOICES

VATNEWS 20 set out the requirements for vendors who wish to issue tax invoices, debit notes and credit notes in electronic format **instead** of the traditional paper version (hard copy). It is however not practical to verify beforehand that each vendor meets all the requirements, as this can only be ascertained when conducting an audit. Since the requirements have already been published in the VATNEWS, it is not necessary for vendors to make individual applications for approval in this regard.

Vendors wishing to implement this electronic system must however ensure that they do not replace their existing paper based documentary systems before they meet **all** the requirements.

Note that it is an offence not to keep proper records as specified in section 55 of the VAT Act, whether these are in paper or electronic format.

NEW REGISTRATION FORM (VAT 101)

A more user friendly VAT 101 registration form has been designed following consultations with various stakeholder groups around the country. The amended form incorporates details of the documents which must be submitted with the application.

The electronic version of the new form is available on the SARS website www.sars.gov.za.

DECLARATION FOR NOTIONAL INPUT TAX

A new form (VAT 264) is presently being drafted to standardise the information which vendors must maintain in terms of section 20(8) of the Act to validate their notional input tax claims on second-hand goods. The form will be a declaration by the person selling the goods (the owner) to the vendor claiming the notional input tax. This form will be made available on the SARS website shortly.

INTEREST RATE CHANGE

As from 1 April 2003 interest rates in respect of late tax payments and refunds are determined in terms of the Public Finance Management Act, 1999. (Refer to Media Release 8 dated 30 June 2003 for more details).

With effect from 1 July 2003 the rate of interest applicable for both outstanding VAT payable as well as delayed VAT refunds has been reduced from 16.5% to 15% p/a.

The rate has been further reduced with effect from 1 September 2003 from 15% to 14% p/a.

IMPORTED SERVICES

Where goods are imported, VAT is levied by Controllers of Customs at the time of importation.

In the case of services, the onus is on the importer to declare and pay the VAT within 30 days of the date of payment for the service being made. Examples of imported services are computer software and recorded music. The VAT must be declared whether the importer is a vendor or a non-vendor (e.g. private person). The only exception is where a vendor imports the service solely for the purpose of making a taxable supply.

CONTACTING SARS: Where vendors have queries relating to VAT, including where to fax their returns, they should contact their local SARS branch office. Additional information can be obtained on the SARS website at: www.sars.gov.za