

VAT NEWS

Keeping Vendors Informed

AUGUST 2006 No. 28

AMENDMENTS TO THE LAW

Changes to the VAT law have been made in the Small Business Tax Amnesty and Amendment of Taxation Laws Acts (Numbers 9 and 10) of 2006.

For more information on the amendments, visit the SARS website www.sars.gov.za/legislation/.

AMENDMENTS AFFECTING MUNICIPALITIES

Various amendments to the VAT Act pertaining to municipalities came into effect on 1 July 2006.

One of the effects of the amendments is that many of the supplies made by municipalities that were prior to 1 July 2006 outside the scope of VAT, became subject to VAT at the standard rate. The most notable exception to the standard rated supplies is that municipal property rates levied by municipalities are now subject to VAT at the zero rate, if charged separately from other goods or services supplied. However, where a flat rate is charged to cover charges for municipal services without specifying a separate charge for municipal property rates, that charge will be subject to VAT at the standard rate.

Examples of other supplies of goods and services by municipalities that are now subject to VAT at the standard rate include:

- Parks and recreational services;
- Roadworthy application;
- Fire Brigade services;
- Library services;
- Recreational facilities;
- Street frontage administration;
- Parking;
- Property sales of commonage or burial plots; and
- Burial and cremation services.

As a result of most of its previously non-taxable supplies becoming taxable with effect from 1 July 2006, municipalities will generally be able to claim more input tax in respect of the acquisition of goods or services.

In order to provide guidance on the implementation of the amendments and to provide for special rules to apply during the transitional period (1 July 2006 to 31 December 2006), a regulation and an interpretation note will be published.

The regulation will provide, inter alia, that from 1 July 2006, a municipality may only use the turnover-based method of apportionment.

As a result of the amendments affecting municipalities many of the rulings that were issued prior to 1 July 2006 pertaining to local authorities may not be applicable after this date.

STANDARD RATE OF VAT APPLICABLE TO IMPORTED SERVICES

In a recent reportable Tax Court decision (Case VAT 144) the court found in favour of SARS that "imported services" cannot be subject to VAT at the rate of zero percent where the services were physically performed by the supplier of the services outside South Africa.

The decision is in line with the principle that goods or services consumed in South Africa should be subject to VAT.

AMENDMENTS TO THE VAT GENERAL RULINGS REGISTER

The general rulings register, which is available on the SARS website, has been modified by arranging the various topics covered in a more logical manner to make it more user friendly.

Furthermore, various general rulings have been amended on 31 March 2006. Other general rulings are in the process of being reviewed.

Vendors who have previously relied on any of the amended rulings are advised to confirm whether the ruling relied upon is still in force.

The general rulings can be accessed on SARS' website: www.sars.gov.za

SUBMISSION OF VAT 201 RETURNS

Returns are legal and binding documents which constitute a declaration made to SARS. Certain errors are made regularly on returns. All vendors must ensure that the following is adhered to:

- Mandatory fields must be completed;
- Returns must be signed;
- All fields where correctional fluid was used, must be initialled;
- When a return could not be submitted via e-filing for whatever reason and the printout of the return is sent to SARS, the printout must still be signed by the vendor;
- Only one return must be submitted for a specific tax period;
- Contact details of the person completing the return must be clearly stated should SARS wish to communicate with regard to the completion of the return;
- Verify on the return regularly that if you pay via debit order that the "Y" indicator is printed on the return; and
- Ensure that the return and/or payment are submitted on time according to the method of submission and/or payment.

If any material error was made on a return and sent back by SARS to the vendor, the date the rectified return was received by SARS will be regarded as the received date.

PAYMENT OF VAT

As reported in VAT News 27, SARS is making it easier for clients to pay taxes via internet banking and over the counter.

It is important to remember that even if you have made your payments using internet banking or over the counter at a bank, you must still submit your return to SARS on time.

Please note that where a vendor makes payment by cheque, the cheque must bear the name “**South African Revenue Service**” and not the abbreviation “SARS”.

The following table provides a summary of the date by which a VAT 201 return must be submitted and the date by which payment must be made:

Payment method	SARS must receive return by (or at last preceding business day):	SARS must receive payment by (or at last preceding business day):
Cash	25th	25th
Cheque	25th	25th
Postal order	25th	25th
Payment at FNB, ABSA, Nedbank and Standard Bank	25th	25th
VAT201(a) debit order	25th	Last business day of the month
E-filing of return and payment via SARS e-filing	Last business day of the month	Last business day of the month
E-filing of return and payment not using SARS e-filing	Last business day of the month	25th
Electronic transfers	25th	25th

SMALL RETAILERS VAT PACKAGE

The Small Retailers VAT Package is a simpler VAT option for small retailers and forms part of SARS’ drive to assist small businesses. If you qualify for the Package it means that you can satisfy the VAT Act without detailed recordkeeping or having to buy expensive cash registers to keep track of sales on the various types of products you sell.

You qualify for the Small Retailers VAT Package only if you satisfy the requirements to become an **approved vendor**.

To be an **approved vendor** you must:

- Sell standard-rated goods (i.e. goods taxed at 14% VAT) as well as zero-rated goods (i.e. goods taxed at 0%) from the same place of business;
- Make taxable supplies (excluding VAT) of less than R1 million in any 12 month period; and
- Not have adequate point of sale equipment, i.e. an electronic scanning system; or a touch screen register; or a product-specific cash register which is able to separately record zero-rated and standard-rated sales.

If you meet all these requirements, you may apply by completing the VAT SRVP1 form and delivering it to the nearest SARS branch office or mail box.

If your application is approved, you will receive written notification on a form SRVP2, a set of pre-printed record books and a detailed guide that explains all aspects of the Package.

VAT VENDOR SEARCH

The VAT Vendor Search function was made available for vendors to confirm the VAT registration numbers of their suppliers. As the VAT Act places the responsibility on the recipient of the tax invoice to ensure its validity, this function was introduced to assist vendors in confirming that the VAT registration numbers on the tax invoices received from their suppliers are valid.

Therefore, a person utilising this function must have a VAT number and trading name that he/she requires to confirm with records as registered on SARS system.

It must be noted that the system has to have limitations as it was designed to comply with the secrecy provisions of the VAT Act.

FUEL LEVY INCREASE

Vendors are reminded of the following RAF levy on which diesel refunds are calculated and which came into effect as from April 2006.

	Previous	Current
Onland	71.5c/l	76.5c/l
Offshore	131.5c/l	136.5c/l
Rail	31.5c/l	36.5c/l

CONTACT 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