

GENERAL NOTICE

NOTICE 2762 OF 1998

South African Revenue Service

VAT Practice Note: No. 2 of 1998

DOCUMENTARY PROOF REQUIRED ON CONSIGNMENT OR DELIVERY OF MOVABLE GOODS TO A RECIPIENT AT AN ADDRESS IN AN EXPORT COUNTRY

(Section 11(1)(a) read with paragraph (a) of the definition of "exported" in section 1 of the Value-Added Tax Act, 1991)

VAT Practice Note No. 1 of 1998 which was originally published as General Notice No. 427 of 1998 in Government Gazette No. 18738 dated 11 March 1998 is hereby withdrawn and replaced by VAT Practice Note No. 2 of 1998.

1. INTRODUCTION

In order to tax the supply of movable goods supplied in terms of a sale or instalment credit agreement at the zero rate in terms of section 11(1)(a) read with paragraph (a) of the definition of "exported" in section 1 of the Act, the RSA vendor who supplies the movable goods must—

- consign or deliver them
- to the recipient at an address in an export country
- as substantiated by documentary proof acceptable to the Commissioner.

2. DEFINITIONS

For the purposes hereof, any word or expression defined in the Act, bears the meaning so assigned thereto, and, unless the context otherwise indicates—

"consigned or delivered" means—

- (i) physically delivered by the RSA vendor to the recipient at an address in the export country; or
- (ii) where the RSA vendor uses a cartage contractor (supplier's cartage contractor) to deliver the movable goods on his (the RSA vendor's) behalf to the recipient at an address in an export country, only if the supplier's cartage contractor is contractually liable to the RSA vendor to effect delivery of the movable goods and the RSA vendor is liable for the full cost relating to such delivery;

"designated commercial port" means a place of exit from the Republic which has been designated by the Commissioner for the South African Revenue Service as an exit point from the Republic (see paragraph 5.6);

"documentary proof" means the documentation prescribed in paragraph 4;

"export depot" means the premises of a supplier's cartage contractor;

"recipient" means the person to whom the supply of movable goods in terms of a sale or instalment credit agreement is made; and

"supplier's cartage contractor" means a person who is registered under the Act as a vendor, transport being its main activity, and who has been engaged by the RSA

vendor to transport and deliver the movable goods to the recipient at an address in an export country. For the purposes of this Practice Note, supplier's cartage contractor includes couriers, the Post Office Limited and freight forwarders if so registered for VAT purposes;

"the Act" means the Value-Added Tax Act, 1991 (Act No. 89 of 1991).

3. SECOND-HAND GOODS

The zero rate is not applicable in respect of supplies of second-hand goods if a notional input tax credit was claimed by the RSA vendor or any other person who is a connected person in relation to the vendor, when the goods were acquired. In terms of the proviso to section 11(1) read with the provisions of section 10(12) of the Act, tax is chargeable, to the recipient, equal to the notional input tax credit claimed by the RSA vendor. Such VAT may not be refunded by the vendor.

4. DOCUMENTARY PROOF

As proof of export and in support of the zero-rated tax invoice or the tax invoice showing tax equal to the notional input tax credit claimed, issued by him, the RSA vendor must ensure that apart from his copy of that tax invoice he obtains the documents prescribed below within two months of the date of the tax invoice and retains them for a period of five years.

4.1 PHYSICAL DELIVERY BY THE RSA VENDOR

Where the supplier, being a RSA vendor physically delivers the movable goods to a recipient at an address in an export country, the RSA vendor must obtain all the following documentation:

- (i) Either the recipient's order or the contract between him and the RSA vendor;
- (ii) a copy of the export documentation prescribed under the Customs and Excise Act, 1964 bearing an original RSA Customs and Excise stamp;
- (iii) proof that the movable goods have been received by the recipient in the export country; and
- (iv) proof of payment.

4.2 MOVABLE GOODS CONVEYED BY A SUPPLIER'S CARTAGE CONTRACTOR

Where the supplier, being a RSA vendor delivers the movable goods to an export depot, a railway station, a harbour, an airport, a postal service or a courier service in the Republic or the supplier's cartage contractor takes possession of the movable goods at the premises of the RSA vendor, from where the movable goods are exported to the recipient at an address in an export country, the RSA vendor must obtain all the following documentation:

4.2.1 By road

- (i) Either the recipient's order or the contract between him and the RSA vendor;
- (ii) proof that the RSA vendor paid the transport costs;
- (iii) proof that the movable goods have been received by the recipient in the export country;
- (iv) a copy of the export documentation prescribed under the Customs and Excise Act, 1964 bearing an original RSA Customs and Excise stamp; and

(v) proof of payment.

4.2.2 By rail

(i) Either the recipient's order or the contract between him and the RSA vendor;

(ii) proof that the RSA vendor paid the transport costs;

(iii) a copy of the freight transit order issued by Spoornet;

(iv) a copy of the combined consignment note and invoice issued by Spoornet; and

(v) proof of payment.

4.2.3 By ship

(i) Either the recipient's order or the contract between him and the RSA vendor;

(ii) proof that the RSA vendor paid the transport costs;

(iii) a copy of the bill of lading which must contain a description of the movable goods to be exported. Where the movable goods of more than one vendor will be exported in one consignment and only one bill of lading is issued, such bill of lading must be accompanied by an annexure 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 goods;

(iv) a copy of the export documentation prescribed under the Customs and Excise Act, 1964 bearing an original RSA Customs and Excise stamp; and

(v) proof of payment.

4.2.4 By air

(i) Either the recipient's order or the contract between him and the RSA vendor;

(ii) proof that the RSA vendor paid the transport costs;

(iii) a copy of the airway bill as well as the flight number and the date and place of departure;

(iv) a copy of the export documentation prescribed under the Customs and Excise Act, 1964 bearing an original RSA Customs and Excise stamp; and

(v) proof of payment.

4.2.5 By post

(i) Either the recipient's order or the contract between him and the RSA vendor;

(ii) proof that the RSA vendor paid the postage costs;

(iii) proof of receipt of the movable goods by the postal service; and

(iv) proof of payment.

4.3 WHERE MOVABLE GOODS ARE SUPPLIED BY PIPELINE OR ELECTRICAL TRANSMISSION LINE

Where movable goods are exported by means of a pipeline or electrical transmission line and the RSA vendor supplying such goods is the owner of such line or is contractually liable for the full cost relating to the use of such line, he must apply the zero rate: Provided that he shall furnish the Commissioner with such proof of export as stipulated in writing by the Commissioner.

5. GENERAL

5.1 The movable goods must be exported within one month of the date of the tax invoice.

5.2 In the event of the documentation, referred to in paragraph 4 not having been obtained by the RSA vendor by the last day of the tax period which ends after the expiry of a period of two months calculated from the date of the relevant tax invoice, the supply will be deemed to be at the standard rate and the RSA vendor must consequently calculate output tax by applying the tax fraction to the consideration (the selling price is deemed to include tax— section 64(1)), and include the amount of output tax so calculated in Block 12 of the return for remittance (form VAT 201) rendered for the tax period in which the said period of two months ends.

5.3 Should the RSA vendor receive the documentation in respect of which output tax was calculated in terms of paragraph 5.2 within one year from the date of the transaction, the amount previously included in Block 12 of form VAT 201 may be claimed as an input tax credit in Block 18, for the tax period in which this documentation is received.

5.4 The rate of tax applicable for purposes of paragraphs 5.2 and 5.3 is the rate of tax in force at the date of issue of the tax invoice.

5.5 Should the RSA vendor experience difficulties in obtaining the required proof of payment, both the periods referred to above in paragraphs 5.2 and 5.3 may be extended by the Receiver of Revenue where the RSA vendor is on register, with a maximum period of four months. This is only applicable with regard to the proof-of-payment requirement in respect of the movable goods supplied.

5.6 Designated commercial ports:

Movable goods must be exported via a designated commercial port in order to obtain the documentary proof substantiating proof of export. Should none of the designated commercial ports listed below be used, the supply does not qualify for the zero rate.

The export of movable goods as well as the declaration of such goods at ports other than those ports listed below, may be allowed in exceptional circumstances on application to the Controllers of RSA Customs and Excise.

Designated commercial ports:

- Airports: Bloemfontein; Gateway (Pietersburg); Lanseria; Nelspruit; Mmabatho; Port Elizabeth; Uppington;

- International Airports: Cape Town; Durban; Johannesburg.

- Border Posts: Beit Bridge; Caledonspoort; Ficksburg Bridge; Golela; Groblers Bridge; Jeppes Reef; Kopfontein; Lebombo; Mahamba; Mananga/Border Gate; Maseru Bridge; Nakop/Narogas; Nerston; Oshoek; Qacha's Nek; Ramatlabama; Skilpadshak; Van Rooyenshek; Vioolsdrift;

Withdrawn with effect from 1 April 2005 by Interpretation Note 30 (Issue 1) of 31 March 2005

- Harbours: Cape Town; Durban; East London; Mossel Bay; Port Elizabeth; Richards Bay; and Saldanha; and

- Railway Stations: Germiston; Golela; Maseru Bridge; Mafikeng; and Upington.

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