



# **Value-Added Tax Levied on the Importation of Goods into South Africa**

Customs & Excise



*South African Revenue Service*

# Value-Added Tax levied on the Importation of Goods into South Africa

## Preface

The guide enhances the understanding of the payment of value-added tax (VAT) on goods imported into the Republic. It does not go into comprehensive technical and legal detail and should therefore not be used as a legal reference.

This guide has no binding legal effect

Should more information, assistance and guidance you may –

- visit the **SARS website**;
- contact your nearest SARS branch office; preferably after making an appointment via the **SARS website**;
- have a virtual consultation with a SARS consultant by making an appointment via the **SARS website**;
- contact the SARS National Contact Centre –
  - if calling locally, on 0800 00 7277; or
  - if calling from abroad, on +27 11 602 2093 (only between 8h00 and 16h30 South African time); or
- contact your own tax advisor or tax practitioner.

Comments on this guide may be e-mailed to **C&E\_LegislativeComments@sars.gov.za**.

**Legislative Policy: Customs and Excise**  
**SOUTH AFRICAN REVENUE SERVICE**  
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## 1. Introduction

Value-added tax (VAT) is an indirect tax charged on the consumption of goods and services in South Africa. Import VAT and customs duty may be leviable on goods that are imported into South Africa. This has to be paid or secured before the goods will be released from SARS Customs' control. VAT paid on the importation of goods by a vendor may be deducted as input tax, subject to the following.

From 1 April 2015, VAT may only be deducted during the tax period when the goods are released under the Customs and Excise Act 91 of 1964 (the Customs and Excise Act).

For purposes of deducting the VAT paid on the importation of goods, the vendor making the deduction must be in possession of the following documentation:

- An "EDI Customs Status 1 Release Message"
- A valid bill of entry or other document prescribed by the Customs and Excise Act (for example, form SAD 500 and any additional SAD document that might be required)
- The receipt number for the payment of such tax, that is, the receipt issued on eFiling

From 1 April 2015 where the goods are imported by an agent acting on behalf of the vendor (being the principal), and the bill of entry or such other document prescribed by the Customs and Excise Act is held by the agent, the agent must furnish the vendor with a statement within 21 days at the end of the calendar month during which the goods were imported, containing the following particulars:

- The full and proper description of the goods
- The quantity or volume of the goods
- The value of the goods
- The amount of tax paid and the receipt relating to the payment of such tax, that is, the receipt number issued on eFiling for such payment

The vendor must be in possession of the aforementioned statement at the time the VAT return containing the deduction is submitted to SARS. Furthermore, in addition to furnishing the statement, the agent must maintain sufficient records to enable the name, the address and VAT registration number of the vendor to be ascertained.

Further, the –

- the goods that are imported must be acquired by the vendor wholly or partly for consumption, use or supply in the course of making taxable supplies;
- VAT at the standard rate must have been charged on the importation of the goods; and
- the appropriate documentation must be held by the vendor, in this case, a bill of entry or other prescribed customs documentation<sup>86</sup> which may be required in the circumstances, including the receipt for the payment of the VAT to Customs, that is, the receipt number on eFiling. Should such bill of entry or other prescribed documentation be held by the vendor's agent, the vendor must be in possession of a statement received from such agent containing, amongst other particulars, the receipt number for the payment of the VAT on importation issued on eFiling.

## 2. Purpose

This guide enhances the understanding of the payment of VAT on goods imported into the Republic.

## 3. Legislative framework

Section 7(1)(b) the Value-Added Tax Act 89 of 1991 (VAT Act) imposes VAT on the importation of any goods into the Republic by any person. Section 13 of the VAT Act provides for the collection of VAT on importation of goods, determination of value thereof and exemptions from VAT.

## 4. Payment of value-added tax

### 4.1 Entry for home consumption

SARS Customs levies VAT at the applicable rate on the importation of goods into South Africa under section 7(1)(b) of the VAT Act.

Value-added tax, similar to customs duty, is payable at the time of entry for home consumption. Therefore, VAT will be paid if goods are entered for customs purposes for home use and any entry under Schedule Nos 3 or 4 of the Customs Act unless the importation is exempt under Schedule 1 of the VAT Act.

### 4.2 Deferment of value-added tax

Under section 39(1) of the Customs and Excise Act, the Commissioner of SARS may allow the deferment of payment of customs duties, subject to certain conditions and for such periods as he may determine. This deferment arrangement also applies to the VAT levied on importation under the VAT Act. The payment of customs duty and VAT may be deferred for up to 30 days. At the conclusion of the deferment period, the deferment holder is allowed a further seven days to pay all the customs duty and VAT that would have been deferred for the 30-day period.

Vendors that use the services of a clearing agent that only pays the import VAT to SARS Customs in the next tax period via a deferment scheme, may only claim the import VAT as input tax during the tax period in which the clearing agent actually pays the VAT over to SARS Customs.

Please consult *Deferment - External Policy SC-DT-B-02* for further guidance

### 4.3 Exemption: Certain Goods Imported into the Republic

Certain specific categories of imports of goods are exempt from VAT. These exemptions are set forth in Schedule 1 of the VAT Act.

Paragraphs 1 to 7 of Schedule 1 to the VAT Act provide for certain categories of goods that are imported, to be exempt from the levying of VAT. For example, paragraph 1 provides for an exemption in respect of imported goods into the Republic in respect of which the Controller has, under the proviso to section 38(1)(a) of the Act granted permission that entry need not be made.

Paragraph 8 of **Schedule 1** of the VAT Act provides for other categories of goods that are exempt from the levying of VAT. These are identified by heading numbers or rebate items and the descriptions as contemplated in Schedule No. 4 to the Customs and Excise Act,

respectively, for example, item number 470.00 in Schedule No. 1 and corresponding rebate item 470.00 in Schedule No. 4. In some instances, the VAT exemption items contain additional requirements or limitations or relaxations that differ from the Customs and Excise Act. Should any provisions of the Customs and Excise Act and the Schedules thereto provide otherwise, the provisions of Schedule 1 shall prevail to qualify for the VAT exemption.

In order to qualify for an exemption, the goods must fall under one of the descriptions the VAT exemption item, any requirements or limitations contained in that particular description must be complied with, and the Notes of the item number must be complied with regardless of whether or not the goods are required to be entered. Customs duty is payable or a rebate of customs duty is granted under the Customs and Excise Act.

#### 4.4 Security for the value-added tax that may become payable

Security will be required for VAT that may become payable due to non-compliance with certain customs procedures. An example of this may include the warehouse procedure at time of licensing a customs and excise warehouse as a condition of licensing or for the temporary admission procedure as a condition of release. Goods may also be released if security is lodged for any potential underpayment of VAT. Before an application for deferment of VAT is granted, security will be required to cover any deferred VAT that may remain unpaid by the deferment due date.

Please consult *Deferment – External Policy SC-DT-B-02* and *Provisional Payments – External Policy SC-CF-25* for further guidance.

## 5. Calculation of value-added tax

### 5.1 Standard-rated value-added tax on imported goods

The VAT rate in South Africa is currently 15%. Section 13(2)(a) of the VAT Act provides for a 10% upliftment in the calculation of VAT. To calculate VAT on imported goods, the added tax value (ATV) needs to be determined first. This is done as follows: [(Customs Value + 10% thereof) + (any non-rebated duties levied on the goods)] = ATV.  $ATV \times 15\% = \text{VAT payable}$ . For example, when goods are imported from India or China there will be a 10% upliftment of the customs value. The Country of origin (determined by the applicable Rules of Origin) will determine whether a 10% upliftment applies or not. The 10% upliftment is not an amount payable to SARS, but represents an amount in lieu of transport and insurance costs which is used for calculating the ATV.

#### Example 1

Country of origin	India
Customs value	R1 000
10%	R100
Duty at 5%	R50
Added tax value (ATV)	$R1\ 000 + R100 + R50 = R1\ 150$
15% VAT	$R1\ 150 \times 15\% = R172,50$

Section 13(2)(b) of the VAT Act provides where the country of origin (determined by the applicable rules of origin and declared on a bill of entry) is Botswana, Lesotho, Namibia or Eswatini (BELN) and are imported from such a country, the amount of the customs value shall not be increased by the factor of 10%. For example, if the goods are imported from Botswana and the country of origin is one of BELN, there is no upliftment to the customs value. However, if the goods are imported from Botswana and the country of origin of the goods is Zambia then the customs value will be uplifted by 10%.

### Example 2

Country of origin	BELN
Country of export	BELN
Customs value	R1 000
10% of customs value	Not applicable
Duty	Not applicable – SACU
Added tax value (ATV)	R1 000
15% VAT	$R1\ 000 \times 15\% = R150,00$

### Example 3

Country of origin	Non BELN, for example, Zambia
Country of export	Under warehousing procedure in BELN and subsequently exported to the Republic from the BELN
Customs value	R1 000
10% of customs value	R1 000
Duty at 5%	R50
Added tax value (ATV)	$R1\ 000 + R100 + R50 = R1\ 050$
15% VAT	$R1\ 150 \times 15\% = R172,50$

## **6. Refund of value-added tax levied on the importation of goods into South Africa**

SARS will refund the VAT paid on goods imported into South Africa by means of a General Application for Refund (CR1) in the following instances:

- The importer is a non-registered VAT vendor.
- Duplicate clearance, that is, more than one import declaration has been processed in respect of the importation of the same goods.
- The clearing agent has invoiced and processed the import documentation in the incorrect importer's name (does not include a clearing agent who has invoiced and processed the import documentation incorrectly in the name of the correct importer).
- Substitution, that is, the goods have been cleared under the incorrect CPC resulting in the original import declaration being substituted by a new import declaration reflecting the correct CPC and VAT is paid a second time.

In all other instances, if the registered vendor overpaid VAT on a bill entry, the total VAT paid may be claimed as input tax, subject to meeting all the requirements for making such deduction (VAT 201). Import VAT can only be claimed in or after (up to five years) the tax period when the import VAT have been paid to SARS Customs.

Please consult *Refunds and Drawbacks - External Policy SC-DT-C-13* for further guidance.