

VAT News 14 - March 2000

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STATUS

VATNEWS has the status of a general ruling. Should you require a specific VAT ruling, however, you are welcome to address it to your local Receiver of Revenue.

NEW GUIDES FOR VENDORS

Editions 2 and 3 of the Guide for Vendors (VAT 404) have become obsolete as a result of amendments to the VAT Act. These editions as well as the rulings and guidelines given therein are accordingly withdrawn with effect from 30 April 2000.

During April, the new 4th Edition of the Guide for Vendors will be distributed to all registered VAT vendors - in English or Afrikaans. The Guide will also be available in Sepedi and Zulu and will be available from your Receiver of Revenue or by telephoning numbers (033) 355 4680 (Zulu) or (012) 317 2027 (Sepedi).

The Guide has been written in a user-friendly way and is much shorter. You are urged to read it - failure to do so could result in costly mistakes.

ERRORS ON VAT RETURNS

Please do not correct errors on VAT returns by using correctional fluid. If an incorrect amount is filled in on your return, cross it out, fill in the correct amount and initial next to it. Where your VAT return is sent to the Receiver of Revenue and the calculations are incorrect, the Receiver will send the return back to you for correction. Until such time as you correct the VAT return, and send it back to the Receiver's office, it will be treated as having not been received - even if your payment has been processed.

If you make zero-rated or exempt supplies the total of each of these supplies must be shown on your VAT returns. The failure to fill in these supplies (Blocks 2 and 3 on the VAT 201 form) will result in unnecessary audits and will delay refunds.

TAX INVOICES

A vendor must issue a tax invoice to any purchaser who requires one. Vendors need tax invoices to claim input tax deductions, while foreign purchasers require tax invoices to claim VAT refunds from the VAT Refund Administrator.

Invoices must contain certain information to be valid as tax

invoices. The requirements of a tax invoice are:

- the words "tax invoice"
- the name, address and VAT number (a 10-digit number starting with 4) of the supplier
- the name and address of the buyer (not required if the total invoice is less than R500)
- a serial number of the invoice
- the date
- a description and quantity of the goods bought (not required if the total invoice is less than R500)
- the amount paid for the goods bought

- the amount of VAT and the VAT rate. It is not sufficient to merely state "WAT included" on the invoice. The rate of either 14% or 0% must also be stated.

It is a serious offence to issue more than one tax invoice for the same supply. Where a copy of a tax invoice is issued by the supplier, he must write or print the word "COPY" thereon.

EXPORTS

VATNEWS No. 13 dealt with some important matters relating to EXPORTS. It was mentioned that where the zero rate of a refund of VAT had been incorrectly applied, then VAT at the standard rate, with penalties and interest added will be payable by the supplier. It must further be noted that you may have applied the zero rate incorrectly and have now rectified it. Should the non-resident purchaser have now paid the VAT to you, the request for a VAT refund from the VAT, Refund Administrator (VRA) will only be processed or authorised if it is received by the VRA within 3 months from the date of export.

Remember that special rules apply where you supply secondhand goods for export. Where the seller has claimed a notional input tax credit, he cannot fully apply the zero rate in the case of direct exports. Similarly, the purchaser can not get a full refund of VAT in the case of indirect exports. The zero rate applies only to the value added (i.e. mark-up portion) by the seller.

For indirect exports of second-hand goods and the seller has claimed a notional input tax credit, VAT is levied at the standard rate. However, the VAT Act allows the VRA to refund only the VAT that was levied on the mark-up by the seller. The portion of VAT equal to the notional input tax credit can not be refunded. Dealers in second-hand goods, in particular motor vehicles, must not advise non-resident purchasers that the full amount of the VAT is refundable where they sell goods on which a notional input tax credit was claimed. A number of cases have arisen where the purchaser has sued the motor dealer on the grounds of misrepresentation.

Example: (Second-hand goods)

Smart Galary buys a second-hand painting for R11 400 and claims a notional input tax credit of R1 400 (R1 1 400 x 14/114). Smart Galary sells it to Mr Moss of Botswana.

DIRECT EXPORT

Smart Galary delivers the painting to Mr Moss in Botswana.

Price advertised: R16 400

(Including R2 014 VAT)

The calculation for the Tax Invoice of Smart Galary is as follows:

Price excluding VAT: R14 386

Add back notional input

tax claimed R 1 400

TOTAL PAYABLE: R15 786

- The invoice must stipulate that an amount of VAT equal to the notional input tax claimed is included in the price.

- VAT raised on this export is equal to the amount

of notional input tax claimed.

INDIRECT EXPORT

Mr Moss collects the painting in South Africa.

Price advertised: R16 400

(Including R2 014 VAT)

To assist Mr Moss to obtain his refund at the time of export, from the VRA, the Tax Invoice should show the following:

Price excluding VAT: R14 386

VAT @ 14% R 2 014

TOTAL PAYABLE: R16 400

VAT REFUND

Total VAT R 2 014

Total notional input 1400

VAT Refund Amount 614

Signature

An immediate refund will not be authorised if these details are not clearly indicated on the face of the invoice.

- Only the VAT levied on the mark-up by Smart Galary can be refunded by the VRA.
- The refund will be R614 and the portion of the VAT equal to the notional input tax credit claimed (R 1 400) is not refundable.

Thus in both cases the cost to the purchaser is R15 786.

TEMPORARY LETTING OF RESIDENTIAL PROPERTIES INTENDED FOR RESALE .

Where a vendor acquires a property for resale or development, he may claim an input tax deduction in respect of the VAT on his costs. If, however, he lets the property for residential purposes until he is able to sell it, he is then making an exempt supply and must declare output tax based on the open market value of the residence as at the date on which the property is let.

Example

Mr Profile builds 10 townhouses. He sells 8 for R228 000 each, but as he has not been able to sell 2 units, he lets them until he finds buyers. During the tax period in which he lets the townhouses he must declare R28 000 output tax on each of the units let. When he later sells the units he must levy VAT on the sale, but can deduct the VAT he declared and paid back at the time the units were let.

Concessions were made to property developers and certain other vendors where residences were let on short-term leases. These concessions are hereby withdrawn with effect from 1 July 2000 and these vendors must account for output tax on residential units let in these circumstances during the tax period into which this date falls.

if you have difficulty in paying the tax on the change of use adjustment, please contact your Receiver of Revenue. He has been authorised to accept installments over a 6-month period without penalties and interest.

SKILLS DEVELOPMENT LEVY

The 05% skills development levy payable by certain employers as from April 2000 includes VAT at the standard rate of 14%. Input tax equal to the tax fraction of the skills levy paid may be claimed without a tax invoice.

NEW VAT 201 RETURN

The VAT 201 return is in the process of being revised and is scheduled for this year. The new-look form will be easier to read and will have provision for additional information. The Output Tax calculation will be revised to include zero-rated exported goods and services and other zero-rated goods and services. The supply of accommodation blocks will be consolidated.

The Input Tax claim will include a block for notional input tax claimed and a block for VAT claimed on imported goods.

Archived