



VALUE-ADDED TAX

DOMESTIC REVERSE CHARGE: VALUABLE
METAL

25 YEARS
ANNIVERSARY
At Your Service 1997 - 2022

AGENDA

- ✔ INTERNATIONAL
- ✔ DEFINITIONS
- ✔ CURRENT VS DOMESTIC REVERSE CHARGE
- ✔ RESPONSIBILITIES - SUPPLIER
- ✔ RESPONSIBILITIES – RECIPIENT
- ✔ ADDITIONAL REQUIREMENTS

DOMESTIC REVERSE CHARGE: VALUABLE METAL

- ✔ Legislative Instrument
- ✔ Anti-avoidance measure to counter criminal attacks on the VAT system through sophisticated fraud schemes
- ✔ Internationally DRC mechanism
 - ✔ Shifts the responsibility on the recipient to account for and pay the VAT on the supplier's behalf to the tax authority
- ✔ The supplier and the recipient must be registered vendors

DOMESTIC REVERSE CHARGE: VALUABLE METAL

- ✔ Effective mechanism to deal with the MISSING TRADER FRAUD SCHEME
- ✔ Many jurisdictions have employed the DRC to counter-attack fraudulent schemes
- ✔ SARS has been a victim of sophisticated MISSING TRADER FRAUD SCHEME
- ✔ DRC: VALUABLE METAL – neutralises the fiscus and the taxpayer
 - ✔ VAT paid and deducted by the recipient removes the opportunity for the supplier to charge VAT and disappear from the VAT system without paying the VAT

DOMESTIC REVERSE CHARGE: VALUABLE METAL

▼ *“domestic reverse charge” means the VAT charged at the standard rate on a taxable supply of goods, must be accounted for and is payable, on the supplier’s behalf, by the recipient of the supply and is not payable by the supplier, if the—*

- (a) supply is of valuable metal;*
- (b) supplier is a registered vendor; and*
- (c) recipient is a registered vendor;*

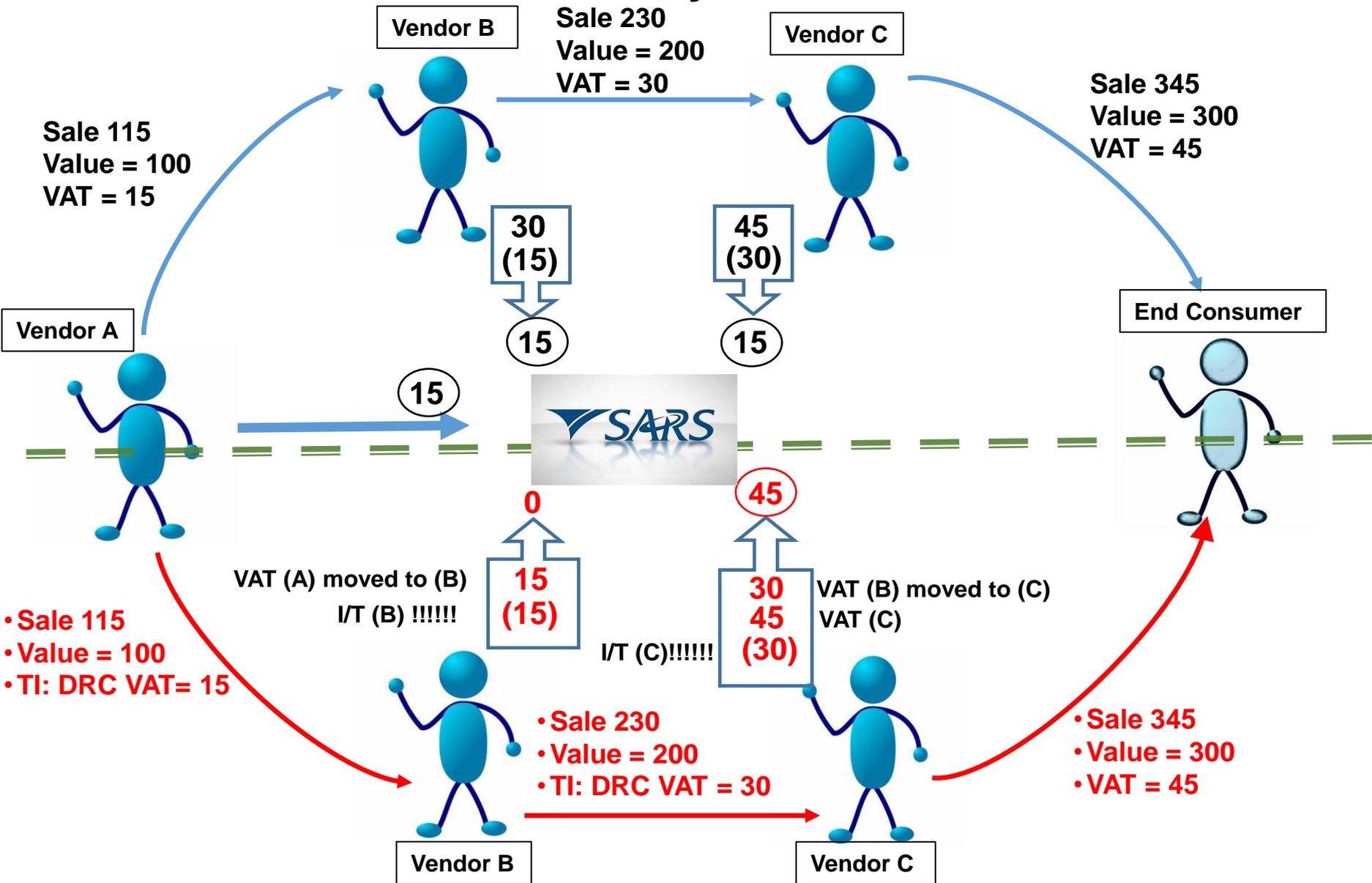
DOMESTIC REVERSE CHARGE: VALUABLE METAL

✓ *“valuable metal” means, any goods containing gold in the form of jewellery, bars, blank coins, ingots, buttons, wire, plate, granules, in a solution, residue or similar forms, including any ancillary goods or services but does not include supplies—*

(a) of goods produced from raw materials by any “holder” as defined in section 1 of the Mineral and Petroleum Resources Development Act 28 of 2002, or by any person contracted to such “holder” to carry on mining operations in respect of the mine where the “holder” carries on mining operations; or

(b) contemplated in section 11(1)(f), (k) or (m) of the Act;

Current System



• Sale 115
• Value = 100
• TI: DRC VAT = 15

• Sale 230
• Value = 200
• TI: DRC VAT = 30

• Sale 345
• Value = 300
• VAT = 45

Domestic Reverse Charge: Valuable Metal

DOMESTIC REVERSE CHARGE: VALUABLE METAL

THE SUPPLIER

- ✔ Ensure that the recipient is a registered vendor
- ✔ Issue a tax invoice using the normal VAT rules – with the additional features
 - ✔ supply is subject to the DRC: VALUABLE METAL
 - ✔ VAT charged must be accounted for and paid (OBO the supplier) by the recipient
- ✔ Only account for the VALUE in FIELD 3 for valuable metal

DOMESTIC REVERSE CHARGE: VALUABLE METAL

THE SUPPLIER

- ✔ Issue a debit or credit note using the normal VAT rules - with the additional features
 - ✔ Supply is subject to the DRC: VALUABLE METAL
 - ✔ Increase (DR note) must be accounted for and paid (OBO the supplier) by the recipient
 - ✔ Decrease (CR note) must be accounted for and deducted (OBO the supplier) by the recipient
- ✔ Only account for the increased/decreased VALUE in FIELD 3 for valuable metal

DOMESTIC REVERSE CHARGE: VALUABLE METAL

THE SUPPLIER

- ✔ No irrecoverable debts are allowed
- ✔ Normal VAT rules – not valuable metal
- ✔ Additional recordkeeping
 - ✔ Obtain, maintain a list of supplies of valuable metal
 - ✔ Proof that the recipient is a registered vendor

DOMESTIC REVERSE CHARGE: VALUABLE METAL

THE RECIPIENT

- ✔ Furnish proof to the supplier that it is a registered vendor
- ✔ Not pay the VAT to the supplier (valuable metal only)
- ✔ Account for the VAT in FIELD 12 for valuable metal (tax period in which the tax invoice is held)
- ✔ Deduct input tax in FIELD 18 for valuable metal
- ✔ Increase in VAT (DR note) must be accounted for in FIELD 12 (OBO the supplier) by the recipient
- ✔ Decrease in VAT (CR note) must be accounted for in FIELD 18 (OBO the supplier) by the recipient

DOMESTIC REVERSE CHARGE: VALUABLE METAL

THE RECIPIENT

- ✔ Notify the supplier by issuing a statement containing -
 - ✔ Tax invoice numbers
 - ✔ Value of the DRC: VALUABLE METAL supplies
 - ✔ Full and proper description - % gold content
 - ✔ Confirmation that the VAT was accounted for and paid (tax period and the PRN)

- ✔ **NOT** deduct input tax if the VAT is not accounted for OBO the supplier (net liability paid) and if statement (contemplated above) is not issued

- ✔ Additional recordkeeping
 - ✔ Statement contemplated above
 - ✔ Proof that the recipient is a registered vendor

DOMESTIC REVERSE CHARGE: VALUABLE METAL

THE RECIPIENT

- ✔ If self-invoicing (CR/DR note) is allowed
 - ✔ Issue a tax invoice (DR/CR notes) using the normal VAT rules – with the additional features similar to that as if issued by the supplier
- ✔ Normal VAT rules – not valuable metal

DOMESTIC REVERSE CHARGE: VALUABLE METAL

ADDITIONAL REQUIREMENTS

- ✔ Failure to adhere – supplier and recipient will be jointly and severally liable for any loss
 - ✔ Supplier will be absolved – satisfy C:SARS taken reasonable steps to comply
- ✔ Registered vendor is required to update their VAT registration particulars (bolstered by a Public Notice) -
 - ✔ To indicate that they fall within the ambit of the DRC: VALUABLE METAL
 - ✔ Failure = **OFFENCE**

Thank you
Re a leboha
Re a leboga
Ndza Khensa
Dankie
Ndi a livhuwa
Ngiyabonga
Enkosi
Ngiyathokoza