

VAT GUIDE : JULY 2021

Table of Contents

VAT Rate in Africa.....	4
Preface	5
VAT overview	6
Scope and VAT rates.....	6
5 Important principles	6
VAT registration.....	7
Group and branch registration.....	8
Non-residents.....	8
Application for registration	8
Application for an electronic services registration	8
Deregistration.....	9
VAT consequences of deregistration.....	9
Computation of VAT.....	9
Output tax	9
Exempt supplies	9
Zero-rated supplies.....	10
Zero-rated goods	10
Zero-rated services.....	11
Input tax	11
Input tax allowed.....	11
Input tax expressly denied	12
Partial exemption	12
Adjustments	13
Pre-registration and post-deregistration VAT	14
International trade.....	14
Imports	14
Exports.....	14
VAT refund.....	15
Refunds to foreigners	15
Place, time and value of supplies	15
VAT compliance.....	17
Returns and payment of VAT	19
Interest and penalties.....	20
Refunds.....	20

Objections and appeals	20
Time limits	21
VAT records.....	21
Additional export documentation	23
Record-keeping.....	23
Specific VAT rules	24
Other indirect taxes	26
Customs duty	26
Excise duties and levies	26
Environmental levies	26
Carbon tax (CBT)	27
Health Promotion Levy on sugary beverages (sugar tax)	27
Transfer duty	28
Securities transfer tax	28
Skills development levy	28
Turnover tax	28
General fuel levy and Road Accident Fund levy	29
Covid 19 VAT relief measures	29
VAT Refund relief.....	29
Air passenger departure tax.....	29

VAT Rate in Africa

Country	VAT Rate	Prior VAT Rate
Algeria	19%	NA
Angola	14%	14%
Botswana	14%	12%
Cameroon, Republic of	19.25%	N/A
Chad	18%	18%
Congo, Democratic Republic of the	16%	16%
Congo, Republic of	18%	18%
Cote d'Ivoire	18%	18%
Egypty	14%	14%
Equatorial Guinea	15%	15%
Ethiopia	15%	N/A
Gabon	18%	18%
Ghana	12.50%	12.50%
Guinea	18%	18%
Kenya	16%	14%
Liberia	10%	10%
Madagascar	20%	20%
Malawi	16.50%	16.50%
Mauritius	15%	15%
Morocco	20%	20%
Mozambique	17%	17%
Namibia, Republic of	15%	15%
Niger	19%	N/A
Nigeria	7.50%	7.50%
Rwanda	18%	18%
Senegal	18%	18%
Seychelles	15%	15%
Siera Leone	15%	15%
South Africa	15%	15%
Swaziland	15%	15%
Tanzania	18%	18%
Tunisia	19%	19%
Uganda	18%	18%
Zambia	16%	16%
Zimbabwe	14.50%	14.50%

Preface



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Dear Readers

A warm welcome to the first edition of our VHA Accounting Solutions Inc South African VAT Guide

This guide empowers the VAT vendors on the main issues pertaining to the administration of VAT in South Africa. Accounting for VAT is a daily activity for all VAT registered vendors. This guide has covered most of the critical areas. It contains most of the main VAT rules and procedures and help with the problems faced by businesses.

It also aims at improving VAT compliance. VAT proves to be an efficient tool for revenue collection. Its performance, therefore, has direct impact on fiscal mobilization, macroeconomic stability, and development. The South African Revenue services has adopted a myriad of mechanisms to compel and enhance compliance.

The taxpayers are likely to compromise VAT compliance due to Covid 19 compromised business performance and efficacy, rising input prices and persistent cash flow challenges. We promote compliance through education, notifications, and encouragement. We must remain resilient and compliant at all costs throughout the Covid 19 period.

Taxpayers should not allow coronavirus engineered challenges from prejudicing

their business tax status. Costs associated with non-compliance come in various forms such as:

- ❖ Time wasting;
- ❖ Court cases that may affect the image of the business;
- ❖ High collections costs, as well as possible legal fees and accounting fees;
- ❖ Extra costs in additional tax and penalties that may negatively affect cash flows;
- ❖ Noncompliance is a fertile ground for future terrible cash flow jam.

To avoid such costs, clients should:

- ❖ Keep proper records;
- ❖ Adhere to due dates for payment of taxes or submission of returns;
- ❖ Pay the correct amount of tax;
- ❖ Declare the correct amount of taxable income in their tax returns.

We concluded this VAT guide by shredding the following taxes.

- ❖ Transfer duty;
- ❖ Skills development levy;
- ❖ Securities transfer tax;
- ❖ General fuel levy and road accident fund levy;
- ❖ Health promotion levy;
- ❖ Carbon tax (CBT);
- ❖ Environmental levy;
- ❖ Excise duties and Customs duty

VAT overview

VAT in South Africa currently stands at 15% as of 1 April 2018. Value Added Tax (VAT) was first introduced in South Africa on 29 September 1991 at a rate of 10%. Standard rate was increased to 14% during April 1993.

Standard rate was increased to 15% during April 2018. VAT is an indirect tax and is levied on the value added in production during the different stages of production.

South African Revenue Service SARS is responsible for the Administration of South African VAT system and is headed by the Commissioner appointed by the President.

The South African VAT system is regulated by the Tax Administration Act 28 of 2011. Certain VAT administration provisions are, however, still contained in the VAT Act.

Vendors are charged with the responsibility of levying VAT and paying it over to the State after deducting permissible VAT inputs.

Scope and VAT rates

The standard rate of VAT is 15% and applies to all supplies of goods or services by a vendor, the importation of goods into South Africa by any person, and (in certain instances) the importation of services by any person with the exception of goods and services which do not qualify for the zero rate, or an exemption,

VAT is generally placed into three categories

- ❖ Standard-rated: VAT at 15%
- ❖ Zero-rated: VAT at 0%
- ❖ Exempt: No VAT

VAT is levied on 'taxable supplies', which are supplies of goods or services made by a 'vendor' (a person registered or required to be registered as a VAT vendor with SARS) in the course or furtherance of an enterprise carried on by the vendor wholly or partly in South Africa.

The concept of 'goods' includes corporeal movable goods, immovable (fixed) property, and incorporeal goods. The concept of 'services' includes anything done or to be done, the granting, assignment, cession or surrender of any right, or the making available of a facility or advantage.

Money and tax stamps are neither goods nor services. The issue, acquisition, collection, buying or selling or transfer of ownership of any cryptocurrency is considered to be a 'financial service' and not money or currency.

"Supply" is defined in section 1(1) of the VAT Act as performance in terms of a sale, rental agreement, instalment credit agreement and all other forms of supply, whether voluntary, compulsory or by operation of law.

5 Important principles

VAT Vendors have a mandate to collect VAT on behalf of the State.

AT payable/refundable is the difference between input VAT and Output VAT

You must also keep records of all your tax invoices and other records of transactions for at least 5 years.

VAT is claimable against valid invoices. A valid invoice should have the vendors numbers, addresses, vendors names, gross amount, vat amount, description of goods, the title "tax invoice", and document number.

All prices charged, advertised or quoted by a vendor must include VAT at the applicable rate.

VAT registration

Compulsory registration

The VAT Act has compulsory registration requirements. When a person carrying on an enterprise has made supplies exceeding R1 Million (The registration threshold) in value in a 12-month period. Persons are also required to register if they have a contractual obligation to make supplies of a value exceeding R1-Million in the coming 12-month period.

Voluntary registration is generally only allowed once a person has passed the R50 000 threshold or purchased a business that previously made such supplies.

The term “person” includes the following Individuals:

- ❖ Private and public companies, share block companies and close corporations;
- ❖ Partnerships and bodies of persons
- ❖ Public authorities and municipalities;
- ❖ Associations not for gain such as clubs and welfare organisations
- ❖ Insolvent and deceased estates;
- ❖ Trust fund.

Registration is not required where the threshold will be exceeded solely as a consequence of the cessation of, or substantial and permanent reduction in, the size or scale of an enterprise, the replacement of capital assets or abnormal circumstances of a temporary nature.

Provisions have been introduced, where foreign suppliers of electronic services are required to register where supplies are made to residents of South Africa, or recipients who have a business, residential or postal address in South Africa,

or payment is made from a South African bank account, and the value of these supplies has exceeded ZAR1 Million. At least two of these three provisions should be satisfied.

Previously, the Commissioner allowed a concession that branches of internationally based companies who each individually meet the compulsory registration requirements to have a single VAT registration, rather than multiple registrations i.e. a VAT registration for each branch. This concession was made by approving a VAT class ruling in terms of a section 72 (a special provision allowing the Commissioner to use his discretion where a person experiences a difficulty, anomaly or incongruity).

However due to changes in this regard, SARS has ceased issuing these VAT class rulings (e.g. single VAT registration for a group of branches or entities) and when existing rulings of this nature expire SARS may not issue a new ruling on the same basis.

Voluntary registration

A person can apply for voluntary registration even though the total value of taxable supplies is less than R1 Million.

A person may apply for voluntary registration if that person –

is carrying on an enterprise and the value of taxable supplies made has exceeded the minimum threshold of R50 000 in the past 12 months; or

is carrying on an enterprise and the value of taxable supplies has not exceeded the R50 000 minimum threshold but can reasonably be expected to exceed that threshold within 12 months from the date of registration.

intends to carry on an enterprise acquired as a going concern, provided that the value

of taxable supplies made by the supplier of the going concern exceeded R50 000 in the past 12 months.

is a municipality or is carrying on the activities of a welfare organisation, a share block, company foreign donor-funded projects. Voluntary registration can be done even if the ZAR50,000 requirement has not been met

Group and branch registration

A vendor may register separately any branches, divisions or enterprises carried on for VAT purposes. This means that it is possible for a vendor to have more than one VAT registration number if the enterprise is carried on in branches or divisions. A separate form VAT102e must be completed for each enterprise/division/branch for which a separate registration is required.

Non-residents

There are two instances where non-residents may be required to register for VAT in South Africa. Firstly, where there is an enterprise activity being conducted in South Africa and the value of the associated supplies meets the criteria for a compulsory registration.

Secondly, where non-residents are suppliers of electronic services. For a non-resident to register as a VAT vendor in South Africa, they must furnish SARS with the particulars of their fiscal representative (who must be a natural person and reside in South Africa), and their bank account details in South Africa. However, these requirements are not required for non-residents who register for VAT due to providing electronic services, and the fiscal representative may be a foreigner.

Application for registration

A person must complete form VAT 101 and submit it to the local office of SARS. The application for registration must be accompanied by the following documents:

Particulars required for registration are as follows:

a copy of the identity document (ID) of the individual, or of the two most senior partners or directors, shareholders, members, or trustees.

a copy of the certificate of incorporation or constitution.

a letter of authority if the application is submitted by a registered tax practitioner the banking details as required by SARS.

a copy of the ID or passport of the fiscal representative.

a copy of the municipal account of the business and representative copies of the past three months' bank statements for purposes of determining the value of the business' taxable supplies.

There are no penalties for late registration or for failing to do so. However, output tax plus penalties and interest will be due on supplies that have not been declared at the time the business should have been registered for VAT purposes.

The registration number of resident and non-resident businesses consists of ten digits, starting with a '4'.

Application for an electronic services registration

The registration process for foreign suppliers of electronic supplies can be done via email. The following information, translated into English, will need to be submitted:

completed VAT vendor registration form (VAT 101).

the certificate of incorporation of the foreign business.

proof of registration with a foreign tax authority.

the Identity of the person responsible for the compliance.

a recent bank statement for a South African or foreign bank account, whichever is applicable.

Deregistration

A vendor may apply for cancellation of registration if the value of taxable supplies is less than the compulsory registration threshold of R1 million in any consecutive period of 12 months.

A vendor must apply for deregistration if their taxable supplies did not exceed the annual ZAR50,000 voluntary registration limit.

A vendor may deregister when they cease to carry on an enterprise and will not reopen again within the next 12 months.

SARS may deregister a vendor who voluntarily registered if they no longer have a fixed place of business, a bank account or proper accounting records.

VAT consequences of deregistration

When a person deregisters from being a VAT vendor, the person could be liable for what is colloquially referred to as exit VAT. The rationale behind the exit VAT is that the vendor was most likely entitled to an input tax credit when these goods and services were acquired. The relevant

sections of the Value-Added Tax Act 89 of 1991(the Act) that provide for the exit VAT are ss 8(2) and 10(5).

Computation of VAT

All prices charged, advertised or quoted by a vendor must include VAT at the applicable rate.

Output tax is calculated by applying the tax fraction (15/115) to the price charged.

All prices charged for taxable supplies are deemed to include VAT, whether or not the vendor has included VAT in the price.

Output tax

Exempt supplies

Supplies of the following goods or services are exempt:

The broad exemption for financial services includes the following activities:

- ❖ The exchange of currency. This include physical bank notes or coins, but also the crediting or debiting of accounts.
- ❖ The issue of letter of credit, or payment, or transfer of a cheque.
- ❖ The provision or reinsurance of a long-term insurance policy.
- ❖ Cryptocurrency.
- ❖ The issue, transfer of ownership or allotment of a debt security (i.e. Any cession of a debt).
- ❖ The issue or transfer of an equity or participatory security.
- ❖ Interest and the provision of credit

- ❖ The provision of interest in a superannuation scheme.
- ❖ The buying or selling of any derivative.

donated goods or services supplied by an association not for gain.

residential **accommodation in a dwelling**.

leasehold land that is or will be used to erect a dwelling.

passenger transport by road or railway.

educational services.

land and existing improvements in foreign countries.

management services supplied by bodies corporate of sectional title property schemes, share block companies, housing development schemes for retired persons, homeowners' associations and body corporates.

passenger transport by road or railway

educational services,

childcare services provided at crèches and after-school care centres.

services supplied by employee organisations against payment of membership contributions.

goods supplied in South Africa by a person who is not a resident of the country, and is not a vendor, if the goods have not been entered for home consumption (unless approval is obtained to zero-rate the supply).

goods or services by a bargaining council against payment of membership contributions.

goods or services by a political party against payment of membership contributions.

Zero-rated supplies

Supplies of the following goods or services are zero-rated, provided that all documentary and procedural requirements have been met.

Zero-rated goods

exportation of goods;

leasing of goods for exclusive use in an export country;

supply of an enterprise (or separately registered branches) as a going concern;

unmanufactured gold supplied to the South African Reserve Bank, the South African Mint Company or a registered bank;

certain gold coins;

certain agricultural products supplied under prescribed circumstances;

fuel levy goods and petroleum oil;

goods transferred to a foreign branch.

basic foodstuffs such as brown bread, brown wheaten meal, maize meal, samp, mealie rice, dried maize, beans and lentils, pilchards or sardinella, rice, vegetables, fruit, vegetable oil, milk, cultured milk, milk powder, dairy powder blend, eggs, edible legumes, cake wheat flour and white bread wheat flour;

illuminating paraffin (kerosene) used for illuminating or heating;

movable goods (excluding a motor car) sold to a registered vendor in a customs-controlled area (CCA) (in an industrial development zone), if the goods are physically delivered to the CCA recipient by the supplier or their cartage contractor;

certain mining rights;

goods associated with animal disease grants;

goods supplied by a vendor to a person who is a non-resident and non-vendor, but delivered to a vendor-recipient who will use the goods wholly for taxable supplies;

supply of goods by an inbound duty- and tax-free shop;

supply of goods in a licensed customs and excise storage warehouse, if the goods have not been entered for home consumption (if approval has been obtained to zero-rate instead of exempting the supply);

Sanitary towels (pads).

Zero-rated services

international transport of passengers or goods — outside, to or from South Africa
local leg of international carriage by aircraft;

local leg of international transport of goods
certain services rendered to a foreign branch;

services relating to land and improvements outside South Africa;

certain services relating to goods outside South Africa, foreign-going ships or aircrafts, goods temporarily admitted, goods exported or a foreign-operated railway train;

services rendered elsewhere than in South Africa or to a registered vendor in a CCA;

services supplied to a non-resident, if not directly in connection with movable or immovable property in South Africa (with certain exceptions) or to any person who is in South Africa at the time that the services are rendered;

the granting of, and other services relating

to, intellectual property rights to the extent that the rights will be used outside South Africa;

Certain payments to welfare organisations made by public authorities and municipalities;

certain services funded by government grants;

services funded by international donor funds;

vocational training of employees of non-resident, non-vendor employers;

housing subsidies;

certain warranty services;

municipal property rates;

horse race winnings;

services supplied to International Telecommunications Service providers (as contemplated in the International Telecommunication Union Regulations).

Input tax

Input tax allowed

Input tax refers to the tax paid by a vendor on the acquisition of goods or services that are to be consumed, used or supplied by that vendor either wholly or partly in the course of making taxable supplies; and the importation of any goods into the Republic.

Input tax is generally deductible as input tax, provided all documentary requirements are met and the deduction is within five

years.

Exempt supplies are not taxable supplies and therefore VAT may not be levied on such supplies. Similarly, input tax may not be deducted on any expenses incurred to make exempt supplies.

Input tax expressly denied

The deduction of VAT incurred is expressly denied as input tax in the following circumstances:

- ❖ to the extent that goods or services are acquired for purposes of entertainment (the provision of any food, beverages, accommodation, entertainment, amusement, recreation or hospitality of any kind by a vendor whether directly or indirectly to anyone in connection with an enterprise) except —
 - a. where a vendor operates an entertainment Business;
 - b. where the entertainment expenses are incurred for personal subsistence for business purposes (subject to requirements);
 - c. where entertainment forms part of a taxable transport service;
 - d. where entertainment cost included in the fee for a seminar;
 - e. where the entertainment is supplied by a public authority in providing sports or recreational facilities or

amenities to the public;

- f. where a welfare organisation incurs entertainment expenses for the purpose of making supplies in the furtherance of its aims and objects;
 - g. where entertainment is provided to an employee at a medical care facility;
 - h. where a meal or refreshment are supplied by the vendor as operator of any ship or vessel;
 - i. where entertainment is provided as an award in a competition if the entry fees were subject to VAT;
- ❖ motor cars, unless acquired by a motor dealer or rental firm for resale or rental purposes or as demonstration model, or where the motor car is awarded as a prize (conditions apply.)
 - ❖ membership fees attributable to sports, social or recreational activities.

Partial exemption

Where goods or services are purchased for making both taxable supplies and exempt (without credit) supplies, an apportionment of VAT incurred must be made.

The standard method for calculating the apportionment is the turnover-based method. If the turnover-based method does not give a fair result, or if the vendor wants

to apply another method, SARS' written approval must be obtained.

The VAT incurred may be deducted in full if the planned use of goods or services acquired is more than 95% taxable supplies.

Adjustments

When the application or use of goods or services is changed following the purchase thereof, the amount of VAT that was initially deducted as input tax may no longer be equitable and appropriate in view of the successive application of the goods or services.

Adjustments must be made to the vendor's output tax where:

- ❖ an irrecoverable debt is written off;
- ❖ early payment of an account gives rise to a settlement discount;
- ❖ a debit or credit note is issued or received; a customer returns faulty goods to the municipality;
- ❖ goods or services procured for making taxable supplies are subsequently applied wholly for non-taxable purposes. Output tax, calculated on the open market value of the goods or services, must be accounted for in the tax period in which the non-taxable application occurs;
- ❖ any goods or services have been acquired by a vendor for VAT enterprise purposes and such goods or services are subsequently applied wholly for a purpose other

than in the course of making taxable supplies, the vendor is deemed to have supplied such goods or services at their market in the tax period when they are first applied wholly for non-enterprise activities;

- ❖ the extent of taxable use or application of capital goods and services (costing more than ZAR40,000) has dwindled by more than 10%. Output tax, which is calculated as $[15/115 \times \text{lesser of cost or open market value} \times \% \text{ of decreased taxable use}]$, must be accounted for in the tax period in which the last day of the vendor's income tax year of assessment falls.
- ❖ Adjustments must also be made to the vendor's input tax where:
 - 1) goods or services acquired for non-taxable purposes are subsequently applied for making taxable supplies. The deduction is calculated as $[15/115 \times \text{lesser of cost or open market value} \times \% \text{ of taxable use}]$ and may be made in the tax period in which the taxable application occurs
 - 2) the extent of taxable use or application of capital goods or services (costing more than ZAR40,000) has increased by more than 10%. The deduction is calculated as $[15/115 \times \text{lesser of cost or open market value} \times \% \text{ of increased taxable use}]$ and may be made in the tax period in which the last day of the vendor's income tax year of assessment falls.

Pre-registration and post-deregistration VAT

Under certain circumstances, a company can claim input tax on goods and services acquired by a person on behalf of the company before incorporation.

A person who has incurred VAT on the acquisition of goods or services prior to their VAT registration date, and who will use the goods or services subsequent to their registration as a VAT vendor, may make a deduction. It is calculated as $[15/115 \times \text{lesser of cost or open market value} \times \% \text{ of taxable use}]$ in the tax period in which the taxable application occurs.

When a vendor is deregistered, VAT is payable on all assets of the business on the date of cancellation of registration. VAT incurred after deregistration cannot be recovered as input tax.

International trade

Imports

Goods

VAT is payable on the importation of goods, except where a specific exemption applies. Where goods are imported from a Southern African Customs Union (SACU) country, namely Botswana, Lesotho, Namibia or eSwatini (Swaziland), the VAT payable on importation is calculated as 15% of the customs value of the goods.

Where goods are imported from outside the SACU region, the VAT payable on importation is calculated as $[\text{customs value of goods} + 10\% \text{ thereof} + \text{customs and excise duties}] \times 15\%$. Regular importers

may apply to SARS for access to a VAT deferment account, which allows for a credit facility for the customs duty and VAT payable on the importation of goods.

Services

A reverse-charge rule applies when a non-resident (being a non-vendor) provides recipients in South Africa with services which would be neither exempt nor zero-rated if made by a VAT vendor in South Africa to the extent that the services are acquired for purposes other than making taxable supplies.

If the South African recipient is a VAT vendor, it must account for the VAT on its normal VAT return, otherwise VAT must be accounted for by way of a separate declaration and payment must be made to SARS. VAT on imported services is not payable if the value in respect of the supply does not exceed ZAR100 per invoice.

Exports

Goods

Where the supplying vendor sells and consigns or delivers movable goods to a customer at an address outside South Africa, the export is regarded as a 'direct export'. A direct export is where the supplying vendor ("the supplier") consigns or delivers movable goods to a client at an address in an export country.

The vendor may zero-rate the sale if all documentary and procedural requirements are met. Where the recipient from outside South Africa removes or arranges for the removal of goods purchased in South Africa, the export is regarded as an 'indirect export'.

The supplier must generally charge VAT at 15% but may elect (subject to certain requirements) to zero-rate the supply where the supplier accepts the responsibility to ensure that the goods are delivered to a designated commercial port from where they will be exported by the purchaser. If the supplier levies VAT at 15% on these exports, the foreign purchaser may be entitled to claim.

Should the vendor apply the zero rating he must furthermore retain and carefully preserve for a period of five years the following:

- ❖ The vendor's copy of the zero-rated tax invoice or the tax invoice showing tax equal to the notional input tax credit claimed, as issued by himself;
- ❖ A copy of the eligible purchaser's passport or trading license, or of the passport and the relevant letter;
- ❖ The qualifying purchaser's order or the contract between himself and the eligible purchaser; and
- ❖ Proof of payment for the movable goods by the eligible purchaser.

VAT refund

Services

Services physically rendered outside South Africa are zero-rated. Services supplied to a non-resident are zero-rated, except where the services are:

- ❖ rendered directly in connection with land in South Africa;
- ❖ supplied directly in relation to movable property in South Africa,

apart from where the property is exported after the services have been offered, or the services are rendered in connection with movable property supplied by the non-resident to a VAT vendor in South Africa;

- ❖ supplied directly to the non-resident or any other person who is in South Africa when the services are rendered;
- ❖ in connection with a restraint of trade relating to an enterprise in South Africa.

Refunds to foreigners

Where foreigners purchase goods in South Africa, VAT will (generally) be charged at 15%. If all requirements are met, an eligible purchaser (i.e. a non-South African resident, tourist, foreign enterprise or foreign diplomat) may claim a refund from the VAT Refund Administrator (VRA). The purchaser must remove the goods from South Africa (through a designated commercial port) within three months. The refund request must be received by SARS within three months after the date of export.

Place, time and value of supplies

Place of supply

In line with the destination-based principle, the VAT Act aims to tax only consumption within South Africa by allowing zero-rating for exports of goods and services rendered to non-residents.

As the VAT Act contains limited place-of-supply rules, uncertainties and disputes

have arisen as to when foreign enterprises making supplies in South Africa, for example by way of local agents, must be registered as vendors in South Africa.

Provisions have been introduced that foreign suppliers of electronic services are required to register if they supply electronic services to any person resident in South Africa. The definition of an 'electronic service' has been revised with the issue of a new Regulation (Regulation No.429 published in Government Gazette No. 42316 dated 18 March 2019) effective 1 April 2019, which has widened the scope of electronic services.

Electronic services' is defined as any services supplied by means of an electronic agent, electronic communication or the internet for any consideration, with the exception of certain educational services, telecommunications and specific services supplied between companies in the same group of companies.

Time of supply

The time of supply is important for VAT purposes as it determines when the vendor must account for VAT. Section 9(1) of the VAT Act sets out the general rule for time of supply as the earlier of the:

1. Time an invoice is issued; or
2. Time any payment of consideration is received.

The vendor's VAT accounting basis (invoice basis or payments basis) may also affect the timing of accounting for VAT.

The general rule is that a supply takes place when an invoice is issued or any payment of consideration (excluding a

deposit) is received, whichever is earlier. Various special time-of-supply rules apply, for example:

- ❖ fixed property — where registration of transfer of the goods is effected in a deeds registry, on the date of such registration; or, whichever is earlier;
- ❖ rental agreements and service agreements providing for periodic payments — when each payment becomes due or is received, whichever is earlier;
- ❖ goods supplied progressively or periodically and construction services — when each payment becomes due or is received, or an invoice is issued, whichever is earlier;
- ❖ instalment credit agreement — when the goods are delivered or any payment is received, whichever is earlier;
- ❖ fixed property — where registration of transfer of the goods is effected in a deeds registry, on the date of such registration; or, whichever is earlier;
- ❖ coin-operated machines — the time of supply for the supplier is when the coin or token is taken from the machine, while time for the recipient is when the coin or token is inserted into the machine;
- ❖ goods supplied under an agreement (other than instalment credit agreement or rental agreement) for which the whole consideration is not determined —

when and to the extent that any payment is due or received, or an invoice is issued, whichever is earlier;

- ❖ supplies between connected parties — particular time-of-supply rules and provisions apply.

Value of supply

The general rule is that the value of a supply is the consideration paid for the supply known as the price. As all prices must include VAT. The consideration or price is VAT inclusive.

Consideration = Value + VAT

Consideration – VAT = Value

VAT = Consideration x 15/115

OR Value x 15%

Various special rules apply, for example:

- ❖ supply to a connected person for less than the open market value of the supply or the consideration cannot be determined at the time where, had a market-related price been paid, the recipient would not be entitled to a full input tax deduction — value is the open market value of the supply;
- ❖ cancellation of vendor's VAT registration — value is the lesser of the cost or the open market value of all assets at deregistration;
- ❖ instalment credit agreement — value is the cash value (i.e. cash price, excluding finance charges or interest);
- ❖ application of goods (which were acquired for taxable purposes) for

non-taxable purposes — value is the open market value of the goods;

- ❖ supply of certain residential accommodation for an uninterrupted period exceeding 28 days — value is 60% of the all-inclusive charge;
- ❖ exportation of secondhand goods — value is the purchase price to the supplier;
- ❖ fringe benefits — value is the cash equivalent of the benefit for income tax purposes;
- ❖ supply of entertainment if input tax was denied on the goods or services acquired to supply the entertainment — value is nil;
- ❖ no price is paid and no special rule applies — value is nil.

VAT compliance

Accounting basis and tax period

Tax periods are periods of one, two, six or twelve months, depending on the vendor's circumstances:

- ❖ one month — compulsory for vendors with annual taxable turnover in excess of ZAR30 million, other vendors may apply;
- ❖ six months — agricultural, pastoral or other farming enterprise with annual taxable turnover not exceeding ZAR1.5 million may apply;
- ❖ 12 months — companies and trusts

letting goods and providing administrative services to related persons on annual basis may apply;

- ❖ two months — all other vendors.

Returns and payment of VAT

VAT returns must be filed by the 25th day after the end of the tax period. The return may be filed electronically, in which case the time limit for filing the return is the last business day of the month. VAT payments can be made by way of the SARS e-filing payment facility, at a branch of an approved bank (but not at SARS offices), and by way of electronic funds transfer (EFT).

The general rule is that a supply takes place when an invoice is issued or any payment of consideration (excluding a deposit) is received, whichever is earlier. Various special time-of-supply rules apply, for example:

- ❖ rental agreements and service agreements providing for periodic payments — when each payment becomes due or is received, whichever is earlier;
- ❖ goods supplied progressively or periodically and construction services — when each payment becomes due or is received, or an invoice is issued, whichever is earlier;
- ❖ instalment credit agreement — when the goods are delivered or any payment is received, whichever is earlier;
- ❖ fixed property — when registration of transfer is effected in the Deeds

office, or any payment is made, whichever is earlier;

- ❖ coin-operated machines — the time of supply for the supplier is when the coin or token is taken from the machine, while time for the recipient is when the coin or token is inserted into the machine;
- ❖ goods supplied under an agreement (other than instalment credit agreement or rental agreement) for which the whole consideration is not determined — when and to the extent that any payment is due or received, or an invoice is issued, whichever is earlier;
- ❖ supplies between connected parties — particular time-of-supply rules and provisions apply.

Value of supply

The general rule is that the value of a supply is the consideration (price) paid for the supply. As all prices must include VAT, 'consideration' is a VAT inclusive concept.

Consideration = Value + 15% VAT
VAT = Consideration x 15/115

Various special rules apply, for example:

- ❖ supply to a connected person for less than the open market value of the supply or the consideration cannot be determined at the time where, had a market-related price been paid, the recipient would not be entitled to a full input tax deduction — value is the open market value of the supply
cancellation of vendor's VAT

registration — value is the lesser of the cost or the open market value of all assets at deregistration;

- ❖ instalment credit agreement — value is the cash value (i.e. cash price, excluding finance charges);
- ❖ application of goods (which were acquired for taxable purposes) for non-taxable purposes — value is the open market value of the goods;
- ❖ supply of certain residential accommodation for an uninterrupted period exceeding 28 days — value is 60% of the all-inclusive charge;
- ❖ exportation of secondhand goods — value is the purchase price to the supplier;
- ❖ fringe benefits — value is the cash equivalent of the benefit for income tax purposes;
- ❖ supply of entertainment if input tax was denied on the goods or services acquired to supply the entertainment — value is nil;
- ❖ no price is paid and no special rule applies — value is nil.

VAT compliance

Accounting basis and tax period

Tax periods are periods of one, two, six or twelve months, depending on the vendor's circumstances:

- ❖ one month — compulsory for vendors with annual taxable turnover in excess of ZAR30

million, other vendors may apply;

- ❖ six months — agricultural, pastoral or other farming enterprise with annual taxable turnover not exceeding ZAR1.5 million may apply;
- ❖ 12 months — companies and trusts letting goods and providing administrative services to related persons on annual basis may apply;
- ❖ two months — all other vendors.

Returns and payment of VAT

VAT returns must be filed by the 25th day after the end of the tax period. The return may be filed electronically, in which case the time limit for filing the return is the last business day of the month.

VAT payments can be made by way of the SARS e-filing payment facility, at a branch of an approved bank (but not at SARS offices), and by way of electronic funds transfer (EFT).

'Electronic services' is defined as any services supplied by means of an electronic agent, electronic communication or the internet for any consideration

VAT payments must be made to SARS by the 25th day after the end of the tax period (or the last preceding business day).

When using the e-filing and e-payment options, payment must be made by the last business day of the month.

Interest and penalties

Interest and penalties are levied in the case of the following:

- ❖ late payment by a vendor — penalty of 10% is levied on the outstanding VAT amount
- ❖ payment made after the first day of the month in which payment is due — interest is levied on the outstanding VAT due at a rate fixed from time to time by the minister of finance
- ❖ understatement of VAT — understatement penalty levied with reference to a table, which takes the seriousness of the behaviour of the taxpayer into account
- ❖ Evasion of VAT or fraud — criminal prosecution. SARS may waive interest and penalties in the following circumstances:
- ❖ Interest may be waived if the non-compliance was due to circumstances beyond the control of the vendor;
- ❖ Penalty may be waived in the case of nominal or first incidence of non-compliance, or if the non-compliance was due to certain exceptional circumstances. These include a natural or human-made disaster, civil disturbance or disruption in services, serious illness or accident, serious emotional or mental distress, an error or delay on SARS' side, a serious financial hardship, or other circumstances of analogous seriousness;

- ❖ An understatement penalty may, in certain circumstances, be waived if the taxpayer made full disclosure to SARS and was in possession of an opinion by a registered tax practitioner that confirmed that the taxpayer's position is more likely than not to be upheld should the matter proceed to court.

Refunds

If a refund due to a vendor is not made within 21 business days of the return being received, interest is payable by SARS provided that the return was completed correctly and SARS was not prevented from auditing the refund claim.

Objections and appeals

As a taxpayer, if you receive an **assessment from the Commissioner** of the South African Revenue Services ("SARS") that you disagree with, you can **lodge an objection** in line with **the Tax Administration Act, No. 28 of 2011** ("the Act").

A vendor who is aggrieved with an assessment or certain evaluations may lodge an objection or complaint in the prescribed form within 30 business days. If the person is dissatisfied with SARS' decision, an appeal may be lodged within 30 business days.

Depending on the specific circumstances, an appeal may be dealt with by the following:

- ❖ the 'alternative dispute resolution'

(ADR) process — an informal and cost-effective method of dispute resolution outside the litigation arena;

- ❖ the Tax Board — an informal and inexpensive process for appeals not exceeding ZAR500,000;
- ❖ the Tax Court — a formal court process;
- ❖ the High Court and/or Supreme Court of Appeal — appeal by any party who feels aggrieved by the judgment of the Tax Court.

Time limits

The maximum period for the recovery of VAT by SARS is five years. This limitation does not apply where the VAT has already been assessed during the five-year period; the failure to pay VAT was intentional; the responsible person did not act in good faith; and any assumption as to VAT liability was not based on reasonable grounds but was due to negligence.

Input tax must generally be deducted within five years of the time when the input tax was first claimable. However, if the non-deduction of input tax was in line with the practice generally prevailing, the input tax must be claimed within six months.

VAT records

Tax invoices

A full tax invoice must be issued within 21 days of the date of a taxable supply if the consideration for the taxable supply exceeds ZAR5,000. The tax invoice must

be in South African rand and contain the following information:

- ❖ the words 'tax invoice', 'VAT invoice' or 'invoice'
- ❖ individual serialised invoice number
- ❖ name, address and VAT registration number of the supplier
- ❖ name, address and VAT registration number (if applicable) of the recipient
- ❖ date of issue of invoice
- ❖ quantity or volume of goods or services
- ❖ full and proper description of goods or services supplied
- ❖ amount charged excluding VAT, VAT charged, and amount charged including VAT, or amount inclusive of VAT with a statement to the effect that VAT is included, and the rate of VAT charged.

If the consideration for the taxable supply does not exceed ZAR5,000, the supplying vendor may issue an abridged tax invoice instead of the full tax invoice. The abridged tax invoice must contain all the information required for a full tax invoice except the name, address and VAT registration number of the recipient, and the quantity or volume of the goods or services.

A foreign language may not be used on invoices. Invoicing in a foreign currency is allowed if it is a zero-rated tax invoice. For standard-rated tax invoices, the conversion to South African rand based on prescribed exchange rates must be reflected on the

tax invoice.

The Commissioner has issued a regulation on the requirements for tax invoices for electronic services, which must include the following information:

- ❖ the name and VAT registration number of the electronic services supplier
- ❖ the name and address (physical, postal or email address) of the electronic services recipient
- ❖ an individual serialised number the date of issue
- ❖ a description of the electronic services supplied
- ❖ the consideration in money for the supply in the currency of any country. If the ZAR currency is used, the amount of the VAT charged or a statement that it includes a VAT charge and the rate at which the VAT is charged must be reflected. If another currency is used, the amount of the tax charged in ZAR, converted at the prescribed exchange rate, or a separate document, must be issued by the electronic services supplier reflecting the amount of tax charged in ZAR
- ❖ The exchange rate, at the prescribed rate, used. Electronic invoicing is generally accepted provided the above requirements are satisfied. Documents kept electronically should be readily accessible when requested by SARS and should be stored in a format which allows SARS to read

and correctly analyse the data. The format used for storage must preserve the integrity of the data. Government Notice 787 issued in Government Gazette 35733 sets out the relevant requirements for electronic document retention.

- ❖ Further, these records must be maintained at a place physically located in South Africa (i.e. the computer servers must be in South Africa), unless a senior SARS official grants the person authority to keep the records at a location outside South Africa and subject to various requirements being met.

Credit notes and debit notes

Credit and debit notes are issued when the initial consideration for the taxable supply must be adjusted. Credit notes and debit notes must contain the following information:

- ❖ the words 'credit note' or 'debit note'
- ❖ name, address and VAT registration number of supplier;
- ❖ name, address and VAT registration number of recipient (only if a full tax invoice was issued for the original supply);
- ❖ date of issue of credit note or debit note;
- ❖ reason for issuing the credit note or debit note;
- ❖ sufficient information to identify the transaction to which the credit note or debit note relates;

- ❖ amount charged excluding VAT, VAT charged, and amount charged including VAT, and a statement that VAT is included and the rate of VAT charged.

A credit note is not required where the terms of a prompt payment discount are clearly reflected on the face of the tax invoice.

A supplier must increase its output tax for the period in which the debit note was issued, and the recipient (if a registered vendor) may increase its input tax to reflect the debit note.

Where a credit note was issued, the supplier has an option to either decrease their output tax or increase its input tax. The opposite applies to the recipient (if registered as a vendor). The Commissioner has issued a regulation on the requirements for credit or debit notes for electronic services, which must include the following information:

- ❖ the name and VAT registration number of the electronic services supplier;
- ❖ the name and address (physical, postal or email address) of the electronic services recipient;
- ❖ a brief explanation of the circumstances giving rise to the issuing of the credit or debit note;
- ❖ the increased or decreased consideration together with the increased or decreased amount of tax. If the ZAR currency is used, the increased or decreased amount of the VAT or a statement that the consideration includes the

increased or decreased amount of VAT and the rate at which the VAT was charged. If another currency is used, the increased or decreased amount of the tax in ZAR or a separate document is issued by the electronic services supplier reflecting the increased or decreased amount of tax in ZAR;

- ❖ the exchange rate used, being the exchange rate used for the tax invoice

Additional export documentation

Specific documentary requirements have been prescribed by SARS for substantiating the zero rating of an export, for example:

- ❖ the supplier's copy of the zero-rated tax Invoice;
- ❖ the recipient's order or the contract between the supplier and recipient;
- ❖ export documentation as prescribed under the Customs and Excise Act;
- ❖ proof of payment;
- ❖ proof that the exported goods have been received by the recipient outside South Africa;
- ❖ other specific documents, depending on the mode of transport.

Record-keeping

Records must be kept for a period of five

years. SARS can perform an unannounced inspection to ensure that records are retained. Records must be kept for inspection in South Africa (unless approval has been granted by SARS for the records to be kept outside South Africa).

The records must be kept or retained:

- ❖ in their original form, in an orderly fashion, and in a safe place;
- ❖ in the form, including electronic form, as may be prescribed by SARS in a public notice;
- ❖ in another form acceptable and specifically authorised by SARS.

Specific VAT rules

Bad debts

A vendor may claim a deduction if a bad debt has been written off for accounting purposes. If the bad debt is subsequently recovered, output tax must be accounted for.

Bad debt relief cannot be claimed when a vendor transfers accounts receivable on a non-recourse basis. If transferred on a recourse basis, a deduction can be claimed only when the debt is transferred back to the vendor in respect of any part of the debt that was subsequently written off as irrecoverable.

If a vendor who is registered on the invoice basis claims an input tax deduction and fails to pay the invoice within 12 months, it must account for output tax on the outstanding invoice amount (exceptions apply). When the vendor subsequently pays any amount of the invoice value, an

input tax deduction can be claimed.

Land and buildings

The sale of land and buildings by a vendor during the ordinary course of its business is subject to VAT, in which case no transfer duty is payable. The sale of fixed property by a non-vendor is subject to transfer duty only (unless an exemption applies).

A vendor may claim an input tax deduction on the acquisition of secondhand fixed property under a non-taxable supply to the extent that payment has been made and transfer of the property was effected by registration in a deeds registry in the name of the vendor making the input tax deduction.

Accommodation

The letting of a dwelling to be used as a residence of a natural person is exempt from VAT.

The supply of short-term accommodation, for example holiday accommodation in hotels and guesthouses, is subject to VAT if the supplier is registered as a VAT vendor in respect of this activity.

A person who provides such accommodation qualifies for VAT registration only if they have made (or are expected to make) taxable supplies of such accommodation of more than ZAR120,000 per annum. If such accommodation is provided for an uninterrupted period exceeding 28 days, VAT is charged on only 60% of the charge.

Leasing

If goods are supplied under an instalment credit agreement, the supplier must account for output tax on the total cash value excluding any finance charges when the goods are delivered or the first payment is made, whichever time is the earliest.

If goods are supplied under a rental agreement, output tax is payable on the full amount of each periodic payment. While

VAT is also levied on any finance charges included in the rental, VAT is not payable upfront but only when the instalments are paid.

Promotional gifts

Where no consideration is received for promotional gifts distributed by a vendor, no output tax will be payable.

A vendor who acquires promotional gifts for purposes of distribution in the course of making taxable supplies (diaries, pens, clothing or product samples, for example) may deduct input tax in respect thereof, unless the input tax is specifically denied, that is where the gift constitutes entertainment (e.g. wine or chocolates).

Secondhand goods

The supply of secondhand goods by a vendor is subject to VAT. A vendor who has purchased secondhand goods under a non-taxable supply may, subject to certain conditions, deduct 'notional input tax' that is calculated as the tax fraction (15/115) of the lesser of the open-market value or the consideration paid.

Where the secondhand goods are fixed property, the notional input tax may be deducted to the extent that payment has been made and the transfer of the property was effected by registration in a deeds registry in the name of the vendor making the input tax deduction.

Tourism industry

The transport of fare-paying passengers by road or railway is exempt, excluding transport by way of a funicular railway or a game-viewing vehicle. The transport of passengers from South Africa to a destination outside South Africa (and vice versa) is zero-rated. The zero-rate also applies to the local leg of an international flight, for example a connecting flight between Cape Town and Johannesburg en route to New York. The supply of accommodation and meals (e.g. in hotels) is subject to VAT at the standard rate.

Travel agency fees charged for arranging a tour package are zero-rated if the tourist is outside South Africa when the tour package is arranged, and standard-rated if the tourist is in South Africa when the tour package is arranged.

Tour operators must keep accurate records to establish which part of the package relates to exempt supplies (e.g. travel in South Africa), zero-rated supplies (e.g. travel to a place outside South Africa) and taxable supplies (e.g. hotel accommodation).

Furthermore, a recent court case judgement reiterated the principle that the full charge of tour packages arranged for foreign tour operators may also be considered standard-rated supplies as the tourists will be in South Africa when the services (e.g. accommodation, food and beverages etc) are rendered, irrespective of whether the foreigner was outside South Africa when the tour was arranged or purchased.

Therefore, the VAT rate applicable will be dependent on the facts and circumstances and where the services will be rendered.

Transfer of a business

The sale of an enterprise (or part thereof) to a registered vendor is zero-rated if the parties have agreed in writing that:

- ❖ the enterprise will be sold as a going concern at 0%
- ❖ the enterprise will be an income-earning activity on the date of transfer
- ❖ the assets that are necessary to carry on the enterprise are disposed of to the purchaser.

If the purchaser of an enterprise that was sold as a going concern at 0% acquires the enterprise partly for non-taxable purposes, output tax must be paid to the extent of the

intended non-taxable application (if more than 5% of total application).

Warranty repairs

The supply of services to a warrantor for consideration in respect of goods under warranty is zero-rated if the warrantor is a non-resident and non-vendor; the warrantor is outside South Africa at the time the services are rendered; and VAT was paid on the importation of the goods under warranty.

Other indirect taxes

Customs duty

Customs duties are payable at the time of importation of goods into South Africa for home consumption. The rate of duty applicable is determined by the tariff classification, the value of the goods and the quantity of the goods being imported. In addition to the VAT and customs duties that are leviable on goods imported, including additional ad valorem duties on a number of luxury or non-essential goods, antidumping and countervailing duties may also be imposed at the time of importation of the goods.

The dutiable amount payable may be determined as a percentage of the value of the goods or as specific price/cost per unit.

South Africa is a member of the Southern African Customs Union (SACU), which includes Botswana, Namibia, Lesotho and eSwatini (Swaziland).

Tariff concessions on import duties are levied on movements of goods between these countries. South Africa has further signed and ratified the Africa Continental Free Free Trade Area (AfCFTA) Agreement. To date, 54 out of 55 African Union Member States are signatories to the AfCFTA Agreement, which aims to create a single continental market for the free movement of goods and services.

Other notable free trade agreements that South Africa is a member of include the Southern African Development Community (SADC); the European Union–SADC Economic Partnership Agreement (SADC–EPA); MERCOSUR (Mercado Común del Sur) as well as the recently gazetted EPA between the SACU, Mozambique and the United Kingdom subsequent to Brexit taking place.

Depending on the origin of the imported goods concerned, preferential tariff treatment may be applied. Furthermore, a number of duty relief schemes are available depending on the type of customs-related activities in which an importer or exporter engages.

Excise duties and levies

Excise duties and levies are payable on certain locally manufactured non-essential products and high volume daily consumable products, at different rates. In addition to contributing to revenue collection, excise duties and levies are aimed at addressing behaviours that have the potential to cause harm to human life, animal life and to the environment.

Excise duties are leviable on and payable by manufacturers of ad valorem products, alcohol products, petroleum products and tobacco products.

Excise levies are imposed on various products and as various taxes including Environmental Levy products, Fuel Levy on petroleum products, Road Accident Fund levy on petroleum products, Diamond Export Levy, Health Promotion Levy on Sugary Beverages, Air Passenger Tax and International Oil Pollution Compensation Fund Levy.

Environmental levies

An environmental levy is charged on certain locally manufactured and imported plastic carrier bags and flat bags (fossil-fuel

based plastic bags) at a rate of 25c per bag. The taxation of bio-based plastic bags is levied at a rate of 12.5c per bag. Additional environmental levies include:

- ❖ a levy on electricity generated in the Republic of South Africa, charged at a rate of 3.5c/kWh
- ❖ a levy on electrical filament lamps, levied at a rate of R10.00/lamp a levy on the carbon dioxide (CO₂) emissions of motor vehicles, charged at a rate of ZAR120.00 per g/km CO₂ emissions exceeding 95g/km and/or ZAR160.00 per g/km CO₂ emissions exceeding 175g/km
- ❖ a levy on tyres is levied at a rate of ZAR2.30/kg net.

Carbon tax (CBT)

The CBT is a new tax in response to climate change, which is aimed at reducing greenhouse gas (GHG) emissions in a sustainable, cost effective and affordable manner. Carbon Tax gives effect to the polluter-pays-principle and helps to ensure that firms and consumers take the negative adverse costs (externalities) of climate change into account in their future production, consumption and investment decisions.

The ultimate aim of a carbon tax is to disincentivise future carbon intensive investments and encourage energy efficiency by utilising alternative and cleaner technologies.

Under Phase One of Carbon Tax (1 June 2019 to 31 December 2022), Carbon Tax is levied in terms of Scope 1 greenhouse gas (GHG) emissions resulting from fuel combustion, industrial processes and fugitive emissions. It does not take into consideration emissions from electricity purchased (Scope 2) or induced emissions, specifically within the supply chain (Scope 3). The impact of Phase 2 of Carbon Tax (1 January 2023 onwards) is yet to be announced by the South African National Treasury.

Having come into effect in 2019, the carbon tax rate was prescribed at R120 per ton of carbon dioxide equivalent (tCO₂e), having regard to the increases of the rate in terms of the Carbon Tax Act. The rate is currently set at R134/tCO₂e for the 2021 period. The rate of tax will be increased by Consumer Price Inflation (CPI) plus two percent until 31 December 2022, whereafter the amount will be increased only by CPI.

Carbon tax rebates and/or allowances are available to taxpayers to reduce their carbon tax liability (limited to 95% of total GHG emissions). These allowances are:

- ❖ the basic tax free allowance of 60%;
- ❖ an additional tax free allowance of 10% for process emissions;
- ❖ an additional tax free allowance of 10% for fugitive emissions;
- ❖ a variable tax free allowance for trade exposed sectors (up to a maximum of 10%);
- ❖ a maximum tax free performance allowance of 5% where a taxpayer has implemented measures to reduce GHG emissions a 5% tax free allowance for companies who participate in the carbon budget system;
- ❖ a carbon offset allowance of either 5% or 10%.

Health Promotion Levy on sugary beverages (sugar tax)

The sugar tax is the Health Promotion Levy (HPL) on sugary beverages. It is a levy that was introduced, in support of the South African Department of Health's Strategic Plan for Prevention and Control of Obesity

The rate is currently set at ZAR2.21 per gram of sugar content that exceeds 4.0 grams per 100 ml. The first 4.0 grams per 100 ml are exempt from the HPL.

For the purposes of HPL, sugar content means both intrinsic and added sugar and other sweetening matter. This levy is applicable to both identified imported products and locally manufactured products.

HPL on imported products is levied when it is cleared for home consumption and HPL on locally manufactured products is payable by the South African manufacturers. HPL is not payable on sugar beverages that are exported or used in the process of manufacture of other dutiable goods.

Transfer duty

Transfer duty is payable on the transfer of immovable property unless the supply of the property is subject to VAT. The person acquiring the property must pay the transfer duty. The following rates apply with effect from 1 March 2021:

- ❖ if the value is between 1R and R 1 000 000 the rate is 0%.
- ❖ if the value of the property surpasses ZAR1 million, but not ZAR1.375 million — the rate is 3% of the value above ZAR1 million.
- ❖ if the value of the property Surpasses ZAR1.375 million but not ZAR1.925 million — the transfer duty is ZAR11,250 + 6% of the value above ZAR1.375 million.
- ❖ if the value of the property surpasses ZAR1.925 million but not ZAR2.475 million — the transfer duty is ZAR44,250 + 8% of the value above ZAR1.925 million.
- ❖ if the value of the property exceeds ZAR2.475 million but not ZAR11 million — the transfer duty is ZAR88,250 + 11% of the value above ZAR2.475 million.

- ❖ if the value of the property exceeds ZAR11 million — the transfer duty is ZAR1.026 million + 13% of the value above ZAR11 million.

Securities transfer tax

Securities Transfer Tax is levied on every transfer of a security at the rate of 0.25% of the taxable amount. It was implemented from 1 July 2008 under the Securities Transfer Tax Act, No. 25 of 2007, together with the Securities Transfer Tax Administration Act, No. 26 of 2007.

Skills development levy

A manpower skills development levy is payable by employers who have an annual payroll in excess of ZAR500,000 at a rate of 1% of the total remuneration paid to employees. This is a compulsory levy scheme for the funding of education, training and skills development.

Skills development levy is regulated by the Skills Development Act No.97 of 1998.

Turnover tax

Turnover tax is a simplified system aimed at making it easier for micro business to meet their tax obligations. The turnover tax system replaces Income Tax, VAT, Provisional Tax, Capital Gains Tax and Dividends Tax for micro businesses with a qualifying annual turnover of R 1 million or less. A micro business that is registered for turnover tax can, however, elect to remain in the VAT system (from 1 March 2012).

Micro businesses with an annual turnover of R 1 million or less. The following taxpayers may qualify:

- ❖ Individuals (sole proprietors)
- ❖ Partnerships
- ❖ Close corporations
- ❖ Companies
- ❖ Co-operatives.

General fuel levy and Road Accident Fund levy

The general fuel levy and the Road Accident Fund (RAF) levy are payable on the sale of petrol and diesel. No VAT is payable on fuel levy goods.

The RAF Fuel Levy income is a charge levied on fuel throughout the country and the quantum of the RAF Fuel Levy per litre is determined by the National Treasury on an annual basis.

Covid 19 VAT relief measures

Binding General Ruling (BGR) 52

The BGR extended the prescribed periods to export moveable goods, apply for a refund from the VAT Refund Administrator and obtain the relevant documentary proof of export.

VAT Refund relief

VAT vendors registered to file VAT returns on a bimonthly basis (Category A and Category B vendors), were allowed to file their VAT returns on a monthly basis, thereby accelerating the payment of VAT refunds due to them.

VAT vendors registered under Category A were permitted to file monthly returns for the April 2020 to July 2020 tax periods. VAT vendors registered under Category B were allowed to file monthly returns for the May 2020 to August 2020 tax periods. Should a Category B VAT vendor have opted to file a monthly VAT return for July 2020 (resulting in a VAT refund), a monthly VAT return for August 2020 (whether it results in a VAT refund or not) would have been required to close off the normal bimonthly filing cycle. The concession applies only to the aforementioned tax periods.

Air passenger departure tax

Passengers departing to Botswana, Lesotho, Namibia and eSwatini pay air passenger departure tax of ZAR100 per passenger, while passengers departing to other international destinations pay ZAR190 per passenger.



Transport Tax / Aviation Tax is levied on passengers as per the table below;

Passenger air transport charge per ticket	Airport
R92.01 per ticket	Domestic departures from Pietermaritzburg
R150.00 per ticket	Domestic departures from Phalaborwa
R107.00 per ticket	Domestic departures from Richards Bay
R105.00 per ticket	Domestic departures from Polokwane International Airport
R95.00 per ticket	Domestic departures from Mthatha Airport
R157.00 per ticket	Domestic departures from Hoedspruit

R228.00 per ticket	Domestic departures from Skukuza Airport
R149.00 per ticket	Domestic departures from Nelspruit/Kruger Mpumalanga International Airport
R127.00 per ticket	Domestic departures from Pilanesberg/Sun City
R0.00 per ticket	Domestic departures from Ulundi
R263.00 per ticket	International departures to Botswana, Lesotho, Namibia and Swaziland (BLNS region) from Bloemfontein, Kimberley, George, Upington, East London, Pilanesberg/Sun City
R228 per ticket	International departures to BLNS region from Skukuza Airport
R85.30 per ticket	International departures to BLNS region from Wonderboom Airport
R217 per ticket	International departures to BLNS region from Richards Bay
R381.00 per ticket	International departures to BLNS region from Nelspruit
R169.00 per ticket	International departures to BLNS region from other South African airports
R346.00 per ticket	International departures to other international destinations from Bloemfontein, Kimberley, George, Upington, East London
R302.00 per ticket	International departures to other international destinations from Richards Bay
R150.00 per ticket	International departures to other international destinations from Pilanesberg/Sun City
R285.00 per ticket	International departures to other international destinations from Nelspruit
R223.00 per ticket	International departures to other international destinations region from other South African airports