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What is VAT?

VAT, or Value Added Tax, is a tax that is charged on most goods and services that VAT registered businesses provide in South Africa.

Unlike other taxes, VAT is collected on behalf of SARS by registered businesses. Once you’re registered for VAT, you must charge the applicable rate of VAT on any services you provide, or products you sell.

There are two VAT rates currently – the standard rate (14%) and zero rate. Some items are completely exempt from VAT.

If your business turns over more than R 1 million in any consecutive 12 month period, then you will need to register for VAT.

Even if you fall below the VAT threshold, there may be benefits of registering voluntarily – it may be that in your industry, being VAT registered adds a more professional touch, or if you make a lot of purchases, you may be able to reclaim the value of VAT on these items.

All businesses that are VAT registered must account for all the VAT they have charged to others, or paid out to suppliers.
Registering for VAT

If you’re a business and the goods or services you provide count as what’s known as ‘taxable supplies’ you may have to register for VAT.

Follow our flow chart to find out if you should be VAT registered.

Has your taxable turnover for the previous 12 month rolling period exceeded R 1 million or expected to exceed over next 12 months?

YES

Compulsory Registration

You must become VAT Registered

Register with SARS

To apply for VAT registration you can either use SARS’ online services or send paper forms through the post. Visit sars.gov.za for more information

Choose how to submit your VAT

Online through eFiling

You can submit your returns free of charge using the SARS eFiling Online service

At a SARS branch

You can submit your VAT returns manually at a SARS branch or you can send your returns by post

NO

What next?

Voluntary Registration

Even if your turnover is less than the current threshold you may benefit from voluntary VAT registration

Carry on trading as you are and be mindful of your turnover. If you suspect you will go over the limit within 12 months you will need to register

Or

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Tax Rates

You are required to submit returns and account for VAT to SARS according to the tax period allocated to you. Available tax periods cover one, two, four, six or 12 calendar months.

Two-monthly tax period (Category A or B)
What is it?
This is the standard tax period, which is generally allocated at the time of registration. Under this category you are required to submit one return for every two calendar months.

- Category A is a two-month period ending on the last day of January, March, May, July, September and November.
- Category B is a two-month period ending on the last day of February, April, June, August, October and December.

Monthly tax period (Category C)
What is it?
Under this category you are required to submit one return for each calendar month. You will be registered according to Category C when:

- your turnover exceeds or is likely to exceed R30 million in any consecutive 12 month period;
- you have applied in writing for this category; or
- you have repeatedly failed to perform any obligations as a vendor.

You will cease to be registered under Category C if you apply in writing to be allocated to a different tax period and SARS is satisfied that you meet the requirements of the relevant category.
Six-monthly tax period (Category D)

What is it?
Under this category you are required to submit one return for every six calendar months. This is a category solely for vendors:

• who are a micro business under the Income Tax Act; or
• who carry on a farming enterprise and whose total turnover has not exceeded R1,5 million per consecutive period of 12 months and is not likely to exceed that amount in the next consecutive 12 months. Should the farming enterprise be carried on by a separately registered enterprise, branch or division of a vendor or an association not for gain, this category will be available only to that separate enterprise, branch or division, provided it is only that separate enterprise, branch or division that carries on a farming enterprise.

Annual tax period (Category E)

What is it?
Under this category you are required to submit one return for 12 calendar months. This category is for vendors who want their tax periods to align with their “year of assessment” of the Income Tax Act. The vendor applying for registration under this category must comply with the following:

• The vendor must be a company or a trust fund.
• The supplies by the vendor applying for Category E must be made to a connected person in relation to that vendor and consist solely of:
  - the letting of fixed properties; or
  - the renting of movable goods; or
  - the administration or management of such companies.
• The connected person who receives the supply must be registered for VAT and must be entitled to deduct the full amount of input tax in respect of those supplies.
• The vendor must agree with the recipients that tax invoices are issued only once a year at the end of the year of assessment of the vendor making the supplies.
• Only vendors with certain activity codes can apply to be registered on Category E tax period.

For more information about the different tax rates visit [www.sars.gov.za](http://www.sars.gov.za)
Submitting VAT

If you’re VAT registered you’ll need to submit a VAT Return at regular intervals. This period of time is known as your ‘tax period.’

The return shows:

- The VAT you’ve charged on your sales to your customers in the period - known as output tax.
- The VAT you’ve paid on your purchases to your suppliers in the period - known as input tax.
- If the output tax is more than the input tax, for example, if you have sold more than you’ve bought; you pay the difference to SARS.
- If the input tax is more than your output tax, for example, if you have bought more than you’ve sold; you claim the difference back from SARS.
- You must send a VAT Return even if you have a nil return (no VAT to pay or reclaim).

Sending the return
All VAT returns must be sent online. As part of the VAT registration process a VAT online account is created. There are a number of alternative methods available to complete the submission process:

SARS’ free online service
Log in to your SARS eFiling account www.sarsefiling.co.za and manually enter the values.

Manually submit your VAT returns
SARS allows you to manually fill out the VAT201 forms and submit these at a SARS branch. You can also post your VAT return.

Using accountants or agents
You can authorise an agent or your accountant to submit your VAT return on your behalf. This is done via your SARS eFiling account, and must be completed before the return is submitted for you.

You must pay VAT to SARS electronically with the vast majority doing so via direct debit. Remember, although it’s ‘your’ VAT return, it isn’t your money that you are paying to SARS, it’s the tax you’ve collected from your customers minus the tax you’ve paid to your suppliers.
Staying compliant

**Keeping VAT records**
You must keep VAT records for at least 5 - 10 years. You can keep them on paper, electronically or in software. Records must be accurate, complete and easy to access.

If you’ve lost a VAT invoice you can’t rely on a photocopy. Ask the supplier for a duplicate (marked ’duplicate’).

You must keep a separate record of the VAT you charge and the VAT you pay on your purchases. This record is called a ‘VAT account’. There aren’t any rules on what a VAT account should look like, but it must show:

- Your total VAT sales
- Your total VAT purchases
- The VAT you owe SARS
- The VAT you can reclaim from SARS
- The VAT you owe or are entitled to following a correction or error adjustment

**VAT invoices**
The following 13 elements must be included on an invoice for it to comply with VAT regulations:

- Unique invoice number that follows on from the last invoice
- Your business name and address
- Your VAT number
- Date
- The tax point (or ‘time of supply’) if this is different from the invoice date
- Customer’s name or trading name, and address
- Description of the goods or services
- Total amount excluding VAT
- Total amount of VAT
- Price per item, excluding VAT
- Quantity of each type of item
- Rate of any discount per item
- Rate of VAT charged per item - if an item is exempt or zero-rated make clear no VAT on these items.
- Show the total of these values separately

For more information visit www.sars.gov.za
Deadlines

Usually VAT invoices must be sent within 30 days of the date of supply or the date of payment (if you’re paid in advance).

VAT visits

SARS officers can visit your business to inspect your VAT records and make sure you’re paying or reclaiming the correct amount of VAT. SARS may not need to visit you. They may contact you to request a copy of your accounts, sending a backup from Sage Pastel Accounting software is sufficient for this. You’ll usually be given seven days’ notice if they do decide to make a visit and they’ll confirm what information they’ll want to see and if they want to inspect your premises.

Before a SARS officer visit, you should make sure that all your VAT records are in order.

How often you get a visit depends on:

• How big or complex your business is
• Whether your VAT Returns have been late or incorrect.

After the visit, SARS will write to you confirming:

• What you must do to improve your VAT record keeping
• Any corrections you must make to your VAT account
• If you’re overpaying or underpaying your VAT.

You can appeal a SARS decision but you must do it within 30 days.
# Top VAT terms explained

<table>
<thead>
<tr>
<th>Term</th>
<th>Term</th>
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<tbody>
<tr>
<td>Accounting Period</td>
<td>See tax period</td>
</tr>
<tr>
<td>Input Tax</td>
<td>The VAT you pay on your purchases</td>
</tr>
<tr>
<td>Output Tax</td>
<td>The VAT you charge on your sales</td>
</tr>
<tr>
<td>Place of supply</td>
<td>The country in which a supply of goods or services must be accounted for VAT purposes</td>
</tr>
<tr>
<td>Supply</td>
<td>Selling or otherwise providing goods or services, including barter and some free provision</td>
</tr>
<tr>
<td>Supply of Goods</td>
<td>When exclusive ownership of goods passes from one person to another</td>
</tr>
<tr>
<td>Taxable Person</td>
<td>Any business entity that buys or sells goods or services and is required to be registered for VAT</td>
</tr>
<tr>
<td>Taxable supplies</td>
<td>All goods and services sold or otherwise supplied by a taxable person which are liable to VAT at the standard, reduced or zero rate</td>
</tr>
<tr>
<td>Taxable turnover</td>
<td>The total value – excluding VAT – of the taxable supplies you make in SA</td>
</tr>
<tr>
<td>Tax Period</td>
<td>The period of time covered by your VAT Return, usually two monthly</td>
</tr>
<tr>
<td>Tax Point</td>
<td>The date when VAT has to be accounted for - for goods, this is usually when you send the goods to a customer or when they take them away, for services, this is usually when the service is performed</td>
</tr>
<tr>
<td>VAT Point</td>
<td>A detailed record of the VAT charged and claimed</td>
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</table>
Sage on VAT

We know that VAT can be a pain point for many small businesses and one that can cause much confusion and sometimes keep you awake at night, but it doesn’t have to.

At Sage we’re here to help take some of that pain away, whether that’s worrying about whether you need to be VAT registered or wondering how it all works we’re here to support you through it.

All of our accounts software is designed to help you manage, process and submit VAT quickly and easily, giving you more time to focus on your business.

Telephone
+27 (0) 11 304 3600

Email
sales@pastel.co.za

To find out more go to:
www.sage.com/za