

VAT in South Africa

Value Added Tax (VAT)

VAT was introduced on 30 September 1991 and as from the 7th of April 1993, VAT was charged at 14%. The VAT system comprises three types of supply:

- Standard-rated supplies - supplies of goods and services subject to the VAT rate in force at the time of supply.
- Exempt supplies - supplies of certain services not subject to VAT. Vendors making exempt supplies are not entitled to input credits
- Zero-rated supplies - supplies of certain goods or services subject to VAT at zero percent. The following are, amongst others, specifically zero-rated: brown bread, maize meal, samp, mealie rice, dried maize, dried beans, lentils, pilchards (excluding pet food or sardines supplied in tins), milk powder (unflavoured), dairy powder blend, rice, fresh vegetables (excluding canned, bottled and dehydrated), fresh fruit, vegetable oil used for cooking (excluding olive oil), milk including long-life milk (excluding condensed, flavoured, sweetened and evaporated milk), cultured milk, brown wheaten flour, raw eggs, pod vegetables, diesel, petrol and illuminating paraffin. Export sales and services are zero-rated, subject to specific requirements. Supplies from South Africa to an Industrial Development Zone will be treated as exports.

VAT input tax credits may in general not be claimed in respect of entertainment and sedan and double-cab type motor vehicles.

All fee-based financial services are sublet to VAT from 1 October 1996 with the exception of:

- premiums payable in respect of life policies issued in terms of the Insurance Act and contributions to pension, provident, retirement annuity and medical funds; and
- buying or selling of derivatives or granting of an option.

Registration requirements

As from 1 March 2009 a vendor is required to register for VAT when his turnover in a 12 month period is likely to exceed R1 million. Where turnover is less than R1 million, but exceeds R20 000 (R50 000 as from 1 March 2010 and R60 000 in the case of commercial rental establishments) in a 12 month period, a vendor can register voluntarily. All vendors that deregister from the VAT system in light of the increase in the VAT registration threshold to R1 million will be allowed to pay the exit VAT overall period of six months.

A registered micro business may not be registered for VAT where turnover is less than R1,5 million in a 12 month period, VAT returns may be rendered every four months. Where turnover is less than R30 million in a 12 month period, VAT returns may be rendered every two months. Turnover in excess of R30 million results in VAT returns having to be rendered every month.

Provided by McMurray Aldum Inc., South Africa