



VAT CHANGES

20 June 2018

VAT CHANGES, TLAB, TALAB and Budget 2018

AGENDA

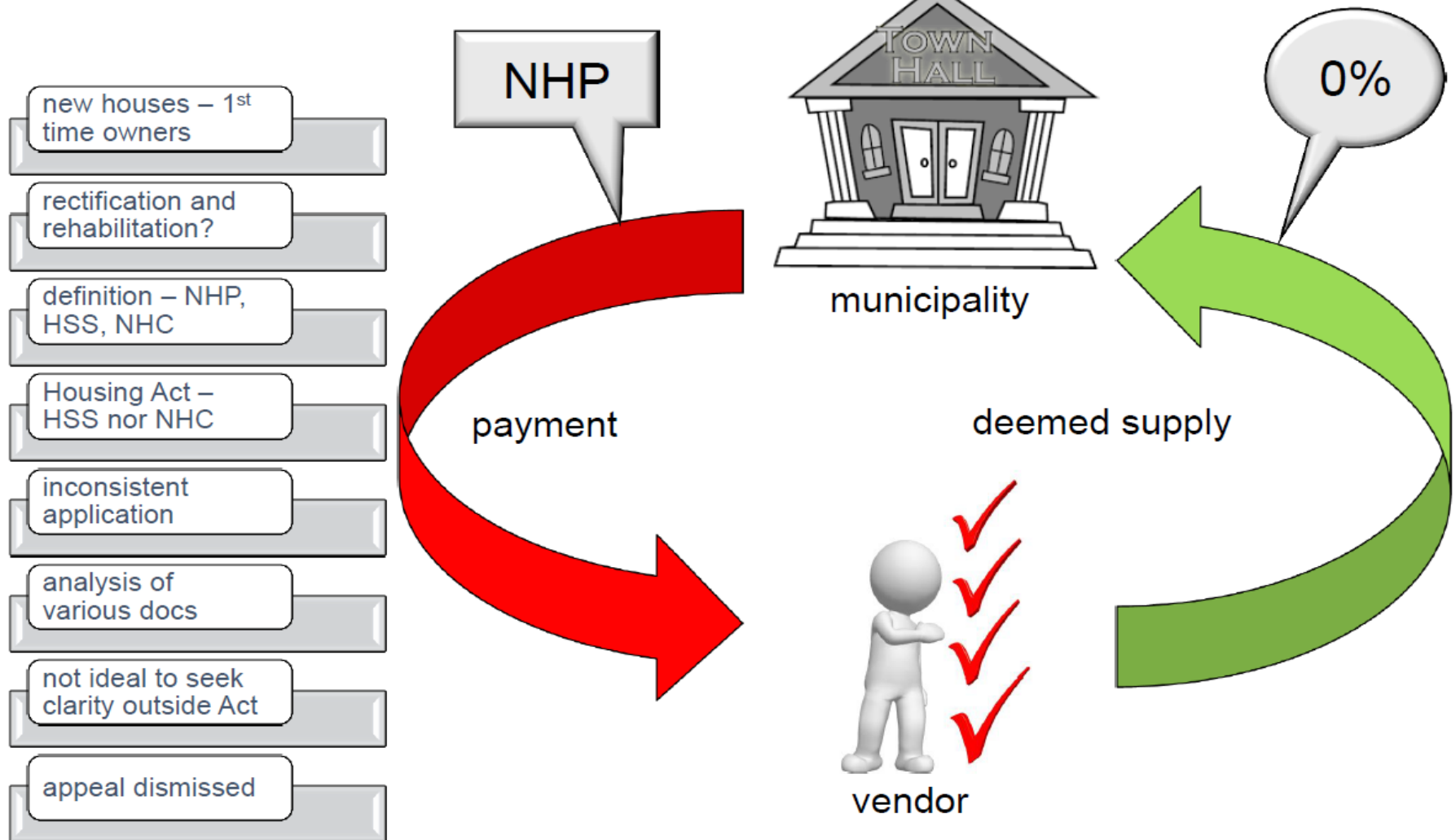
▼ HOUSING SUBSIDIES

▼ MUNICIPALITIES

▼ LEASEHOLD IMPROVEMENTS

▼ VAT INCREASE 2018

HOUSING SUBSIDIES



HOUSING SUBSIDIES

S8(23), s11(2)(s), S40D

BACKGROUND

- repealed in 2015, effective 1 April 2017 – challenges with identifying subsidies
- 2 year grace period – NT to increase subsidies to cater for 14% VAT

REASON FOR CHANGE

- NT and Municipalities did not provide for increase in subsidies

PROPOSAL

- re-instate the zero rating (Rates Act) and remove reference to “Regulation”
- transition – if assessed and not paid = SARS to amend assessment, if 14% = no refund, if not assessed = SARS may not assess

EFFECTIVE DATE

- 1 April 2017

MUNICIPALITIES

S8(28)

BACKGROUND

- LGE of 2016 - Municipalities disestablished, merged, name change, boundaries redefined
- municipalities – cancel registration, new registration, transfer assets

REASON FOR CHANGE

- no transition rules for these types of structural changes
- transfer of assets = supply = output tax payable = no cash flow received for the transfers
- cancellation of registration = deemed output tax payable

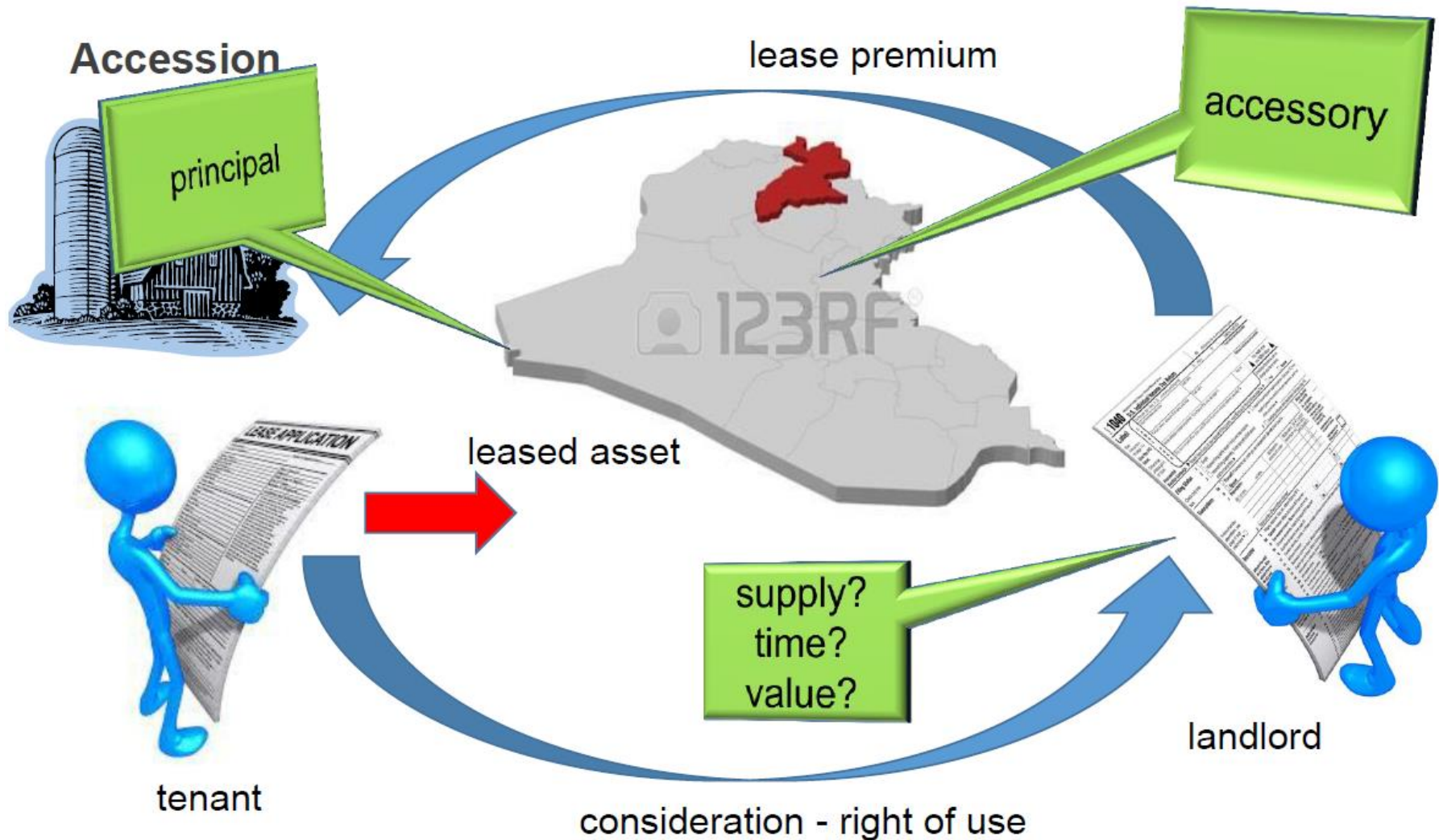
PROPOSAL

- turn-off taxing events – if merged = one and the same, if existing = no supply

EFFECTIVE DATE

- 1 April 2018 (BGR No. 39)

LEASEHOLD IMPROVEMENTS



LEASEHOLD IMPROVEMENTS

Accession

- when a thing is incorporated by natural or artificial means into another thing
- the thing incorporated is called the **accessory** and the thing into which it is incorporated is called the **principal** thing
- by accession, ownership of the accessory is lost and the owner of the principal thing becomes the owner of the new thing
- the principal thing retains its identity after combination
- nature, manner of attachment and intention indicate that the accessory should remain permanently attached

LEASEHOLD IMPROVEMENTS

S8(29), S9(12), S10(28), S18C

BACKGROUND

- lessee makes improvements on leasehold property
- improvements permanently attached to property of Lessor
- accession – Lessor becomes the owner of the improvements

REASON FOR CHANGE

- no clear VAT rules, VOS, TOS – uncertainty in treatment
- barter transaction
- set-off against lease premiums

LEASEHOLD IMPROVEMENTS

S8(29), S9(12), S10(28), S18C

PROPOSAL

- policy choices
 - barter transaction
 - tax on consumption or benefit = preferred by NT and SARS
 - ✓ avoids unnecessary transactional flows
 - ✓ tax consumption on value of improvements in hands of lessor if used for non-taxable purposes
- introduce a VOS, TOC and Adjustment rules

EFFECTIVE DATE

- 1 April 2018

VAT INCREASE 2018

- The Minister of Finance announced a VAT rate increase from
 - ✓ 14% to
 - ✓ 15% effective 1 April 2018 in the 2018 Budget Speech.

The new tax fraction applicable from 1 April 2018

The new tax fraction to calculate the amount of VAT is as follows:

$$\frac{\text{Rate of tax}}{100 + \text{rate of tax}} = \frac{15}{115}$$

- For example, if the VAT-inclusive price (final consideration) is R1 150, the VAT amount is calculated as follows:

$$\text{R1 150} \times 15/115 = \text{R150 VAT}$$

VAT INCREASE 2018

Effect on VAT Vendors

- Vendors should determine when supplies of goods and services are deemed to have taken place and
- Consider the special rules that apply when there is a change in the VAT rate to ensure that the correct rate of VAT is applied in respect of
 - ✓ the supply,
 - ✓ the acquisition and
 - ✓ importation of goods and services.
- You are reminded to make all necessary changes and adjustments to your systems and tax invoices to ensure that VAT at a rate of 15% is levied on all goods and services supplied by you on or after 1 April 2018.

VAT INCREASE 2018

Effect on VAT Vendors

- Take care that cash register slips and tax invoices issued from 1 April 2018 reflect the correct VAT rate.
- This will generally be 15% unless a specific time of supply rule or a rate specific rule applies.
- Tax invoices in respect of supplies exceeding R50 must contain the following:
 - ✓ The price excluding VAT, the amount of VAT charged, and the total price including VAT; or
 - ✓ Where VAT charged is calculated by applying the tax fraction to the total price (that is 15/115), the total price including VAT must be shown as well as –
 - the amount of VAT charged; or
 - a statement that the price includes VAT and the rate of 15%.

VAT INCREASE 2018

Transaction Rate

- The VAT rate to apply depends on the time of supply rules.
- This is the date on which the transaction is deemed to occur according to the VAT Act.
- The general time of supply rule is the earlier of when –
 - ✓ an invoice is issued; or
 - ✓ payment is received.
- For most transactions the general time of supply rule will apply.
- Examples of some transactions which have special time of supply rules.
 - ✓ supplies between connected persons,
 - ✓ fixed property transactions and
 - ✓ supplies made under instalment credit agreements.
- **Rate specific rules** could apply when there is a change in the VAT rate.

VAT INCREASE 2018

Rate Specific Rules

- The VAT Act contains rate specific rules that apply to certain transactions when the VAT rate is increased.
- If a rate specific rule applies, you must still account for output tax according to the normal time of supply rules, but the VAT rate to be used will be determined under the rate specific rule.
- Some of these rules are as follows:

Goods delivered or services performed before 1 April 2018 –

- VAT at the rate of 14% applies to goods (excluding non-residential fixed property) delivered, or services actually performed before 1 April 2018, even though the time of supply is triggered on or after 1 April 2018.
 - ✓ This rate specific rule, however, does not apply if the time of supply has been triggered (for example, by the issuing of an invoice or payment being made) before 1 April 2018.

VAT INCREASE 2018

Rate Specific Rules

Supplies starting before and ending on or after 1 April 2018 –

- Where goods are delivered or services are performed during a period commencing before 1 April 2018 and ending on or after 1 April 2018:
 - ✓ the VAT-exclusive price of the supply must be apportioned on a fair and reasonable basis and allocated to the respective periods.
- The VAT rate is then applied accordingly:
 - ✓ the rate of 14% is applied to the value of supplies before 1 April 2018 and
 - ✓ the rate of 15% is applied to the value of supplies from 1 April 2018 onwards.
- This rule does not apply if the time of supply is triggered before 1 April 2018.

VAT INCREASE 2018

Rate Specific Rules

Supplies starting before and ending on or after 1 April 2018 –

- This rate specific rule applies to –
 - ✓ goods supplied under rental agreements;
 - ✓ goods supplied progressively or periodically;
 - ✓ goods or services supplied in construction activities; and
 - ✓ services rendered over the period concerned,
- but does not apply to supplies of fixed property (including residential fixed property).

VAT INCREASE 2018

Rate Specific Rules

Goods delivered or services actually performed on or after 1 April 2018 where the time of supply is triggered between 21 February 2018 and 31 March 2018 –

- Rate specific rules apply where the time of supply occurs between 21 February and 31 March 2018
 - ✓ that is, on or after the date of the announcement of the increased VAT rate, but before the effective date of the increased rate.
- Under this rule:
 - ✓ when goods are delivered on or after 23 April 2018, or
 - ✓ services are performed on or after 1 April 2018,
 - ✓ but the **time of supply** is triggered between 21 February and 31 March 2018 as a result of any invoicing or payment in relation to the supply,
- then VAT at the rate of 15% applies.

VAT INCREASE 2018

Rate Specific Rules

Goods delivered or services actually performed on or after 1 April 2018 where the time of supply is triggered between 21 February 2018 and 31 March 2018 –

- However, if the goods are delivered before 23 April 2018 (that is, within 21 days after 1 April 2018), or the services are rendered before 1 April 2018, then the supplies concerned will be subject to VAT at 14%.
- These rate specific rules do not apply –
 - ✓ where it is an established business practice for payments to be made, or invoices to be issued before the supplies are made;
 - ✓ in respect of the sale of residential property, certain real rights in residential property and shares in residential share block companies;
 - ✓ to the construction of a new dwelling by a construction enterprise.
- The rate specific rules do, however, apply to non-residential fixed property.

VAT INCREASE 2018

Rate Specific Rules

Supply of residential fixed property

- Even if the time of supply is triggered after 1 April 2018 due to payment or registration of the property in the purchaser's name in a Deeds Registry taking place, the supply of residential fixed property could be subject to VAT at 14%.
- This rate specific rule only applies if –
 - ✓ the contract for the supply was concluded before 1 April 2018; and
 - ✓ both the payment of the purchase price and the registration of the property will occur on or after 1 April 2018; and
 - ✓ the VAT-inclusive purchase price was determined and stated as such in the agreement.
- For purposes of this rule, “residential property” includes a dwelling and certain real rights and shares in share block companies relating to a right of occupation of or interest in a dwelling.
- The construction of a new dwelling by a construction enterprise is also included.

VAT INCREASE 2018

Rate Specific Rules

Lay-by agreements

- The VAT rate of 14% applies in the case of goods supplied under a lay-by agreement if that agreement was concluded before 1 April 2018 and the lay-by amount to set aside the goods was also paid by that date.
- The supply of goods under lay-by agreements concluded on or after 1 April 2018 is subject to VAT at 15%.
- If the lay-by agreement is later cancelled or terminated, the supplier must account for VAT on any amount retained in the VAT reporting period concerned.
- The old tax fraction of 14/114 must be used where the agreement was concluded and the amount to set aside the goods was paid before 1 April 2018.
- Otherwise the new tax fraction of 15/115 must be used.

VAT INCREASE 2018

Agreements

- Vendors may generally recover the price increase as a result of the increase in VAT rate from their customers.
- However, the increase cannot be recovered if there is **a specific agreement with the customer in writing that the price cannot be increased as a result of a VAT increase.**
- Vendors must therefore review existing agreements and those relating to offers accepted before 1 April 2018.
- Customers and potential customers should be informed of the increase in the total contract price as a result of the increase in the VAT rate (where applicable).
- Take care that all new agreements entered into from 1 April 2018 reflect the new VAT rate of 15%.

VAT INCREASE 2018

How to prepare and submit your VAT201

- Vendors whose tax periods span the old VAT rate of 14% and the new VAT rate of 15% (effective from 1 April 2018) will be required to declare these transactions on a single VAT201 return.
- **Most Impacted** are the following vendors:
 - ✓ **Category B** vendors - tax periods are periods of two months ending on the last day of April 2018.(Period March and April)
 - ✓ **Category D** vendors - tax periods are periods of six months ending on the last day of August 2018.(Period March to August)
 - ✓ **Category E** vendors - tax periods are periods of twelve months ending on the last day of the year of assessment will also be impacted
- Vendors who have tax periods that span the 14% and 15% VAT rate (Category B, D and E vendors) as well as future tax periods where the rate of 14% is applicable to certain supplies will be required to disclose their transactions as follows:

VAT INCREASE 2018

How to prepare and submit your VAT201

- **Output Tax**

- ✓ for all standard rated supplies where **VAT at 15%** has been levied, please use the **standard rated fields** on the VAT201 that you would normally use to declare the output tax.
- ✓ for all standard rated supplies where **VAT at 14%** has been levied, please **use Field 12 – “Other and Imported Services”** on the VAT201, to declare the output tax.

A. Calculation of Output Tax and Imported Services

ACALC01

Supply of Goods and/or Services By You

Standard rate (excluding capital goods and/or services and accommodation)

Only 15% transactions

1

R

X

$$\frac{r}{100 + r}$$

4

R

,

Standard rate (only capital goods and/or services)

Only 15% transactions

1A

R

X

$$\frac{r}{100 + r}$$

4A

R

,

Zero rate (excluding goods exported)

2

R

Zero rate (only exported goods)

2A

R

Exempt and non-supplies

3

R

Supply of accommodation

Exceeding 28 days

5

R

X

%

R

Only 15% transactions

Value Not exceeding 28days

7

R

15% rate is used

Total: (6+7)

8

R

X

$$\frac{r}{100 + r}$$

9

R

,

Adjustments:

Change in use and export of second-hand goods

10

R

X

$$\frac{r}{100 + r}$$

11

R

,

Other and imported services

for all standard rated supplies where VAT at 14% has been levied, please use Field 12 - "Other and Imported Services" on the VAT201, to declare the output tax

12

R

,

Total A: (TOTAL OUTPUT TAX (4 + 4A + 9 + 11 + 12))

13

R

,

VAT201

L XX

FV V2016.XX.XX

SV XXXX

CT XX

NO XXXXXXXXXXXX



P XXXXXX

Y XXXX

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XX/XX

**FOR PERSONAL RECORDS ONLY,
NOT FOR SUBMISSION TO SARS**

VAT INCREASE 2018

How to prepare and submit your VAT201

- **Input tax**

- ✓ for all **capital and other goods** and/or services **supplied to you** and charged with **VAT at a rate of 15%**, please **use fields 14 and 15** on the VAT201;
- ✓ for all **capital and other goods** and/or services **supplied to you** and charged with **VAT at a rate of 14%**, please **use Field 18 – “Other”** on the VAT201, to deduct the VAT; and
- ✓ for **all imports, irrespective of whether the VAT was charged at 14% or 15%**, please **use Field 14A and 15A** on the VAT201 to deduct the VAT.

Capital goods and/or services supplied to you	All supplies charged at 15% only	14	R	<div></div>	,	<div></div>
Capital goods imported by you	All supplies charged at 14% and 15%	14A	R	<div></div>	,	<div></div>
Other goods and/or services supplied to you (not capital goods)	All supplies charged at 15% only	15	R	<div></div>	,	<div></div>
Other goods imported by you (not capital goods)	All supplies charged at 14% and 15%	15A	R	<div></div>	,	<div></div>

Adjustments:

Change in use		16	R	<div></div>	,	<div></div>
Bad debts		17	R	<div></div>	,	<div></div>
Other	for all capital and other goods and/or services supplied to you and charged with VAT at a rate of 14%, please use Field 18 - "Other" on the VAT201, to deduct the VAT	18	R	<div></div>	,	<div></div>
TOTAL B: TOTAL INPUT TAX (14 + 14A + 15 + 15A + 16 + 17 + 18)		19	R	<div></div>	,	<div></div>
VAT PAYABLE/REFUNDABLE (Total A - Total B)		20	R	<div></div>	,	<div></div>

VAT INCREASE 2018

How to prepare and submit your VAT201

- **Please note:**
 - ✓ If you are using eFiling for the submission of your VAT201 and have saved a VAT201 for tax periods commencing on or after March 2018 , the saved VAT201 will be removed so that the updated VAT201 with the correct rate of tax can be requested.

Contact Us



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