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Connect. Partner. Succeed.



VAT FOR BOOKKEEPERS

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Presenter



Russel Ngoben

Entrepreneur

Business Accountant

Tax Practitioner

Motivational Speaker

Small Business Mentor

Business Strategist

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Course Outline

Webinar Objectives

At the end of this webinar you will:

- Understand how VAT is administered in South Africa;
- Be able to distinguish between Standard-rated, Zero-rated and Exempt supplies;
- Know who must or may register for VAT;
- Understand the different VAT periods;
- Be able to calculate Input and Output VAT, Penalties & Interest;
and
- Understand which form is used to submit a VAT return.

Quote

The secret to success is to be ready for your opportunity when it comes.

- Benjamin Disraeli

Definitions

Definitions

VALUE-ADDED TAX

VAT is an abbreviation for the term value-added tax. It is an indirect tax based on consumption in the economy.

Important

- VAT is only charged by persons who carry on an enterprise (that is vendors) on the taxable supplies made by them.
- Taxable supplies include supplies for which VAT is charged at either the standard rate or zero rate.

VAT Rate

As of 1 April 2018, Vat is
levied at 15%

VAT Implications

○ Sales;

○ Purchases;

○ Returns;

○ Write-Offs;

VAT Implications

- ❖ Only registered vendors may charge VAT;
- ❖ Vat charged is proportional to the price;
- ❖ VAT is charged at every stage of a production/distribution process.

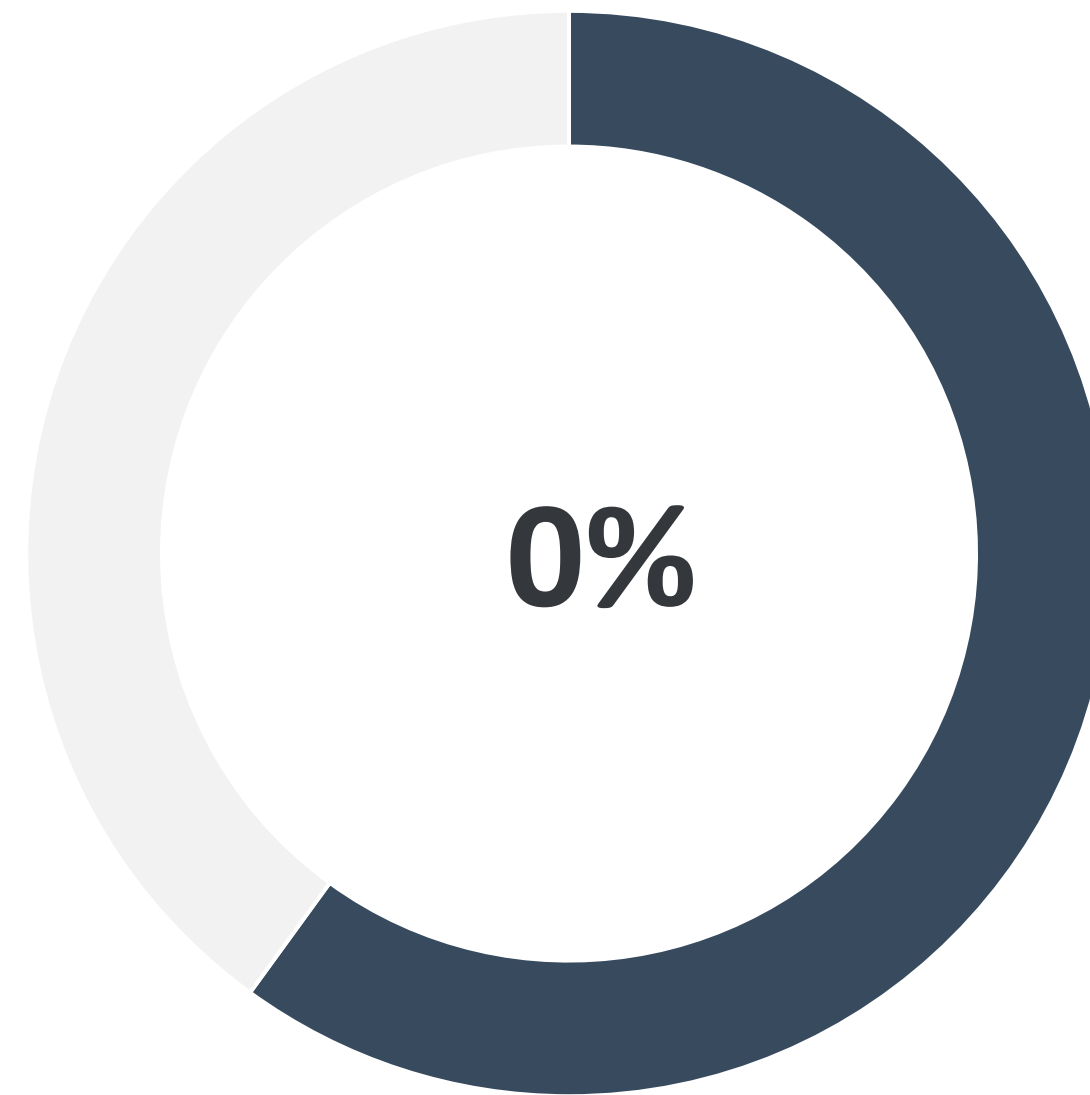
VAT Implications

- ❖ VAT is **only** charged by persons who carry on an enterprise (that is vendors) on the taxable supplies made by them.
- ❖ Taxable supplies include supplies for which VAT is charged at either the **standard rate or zero rate**.

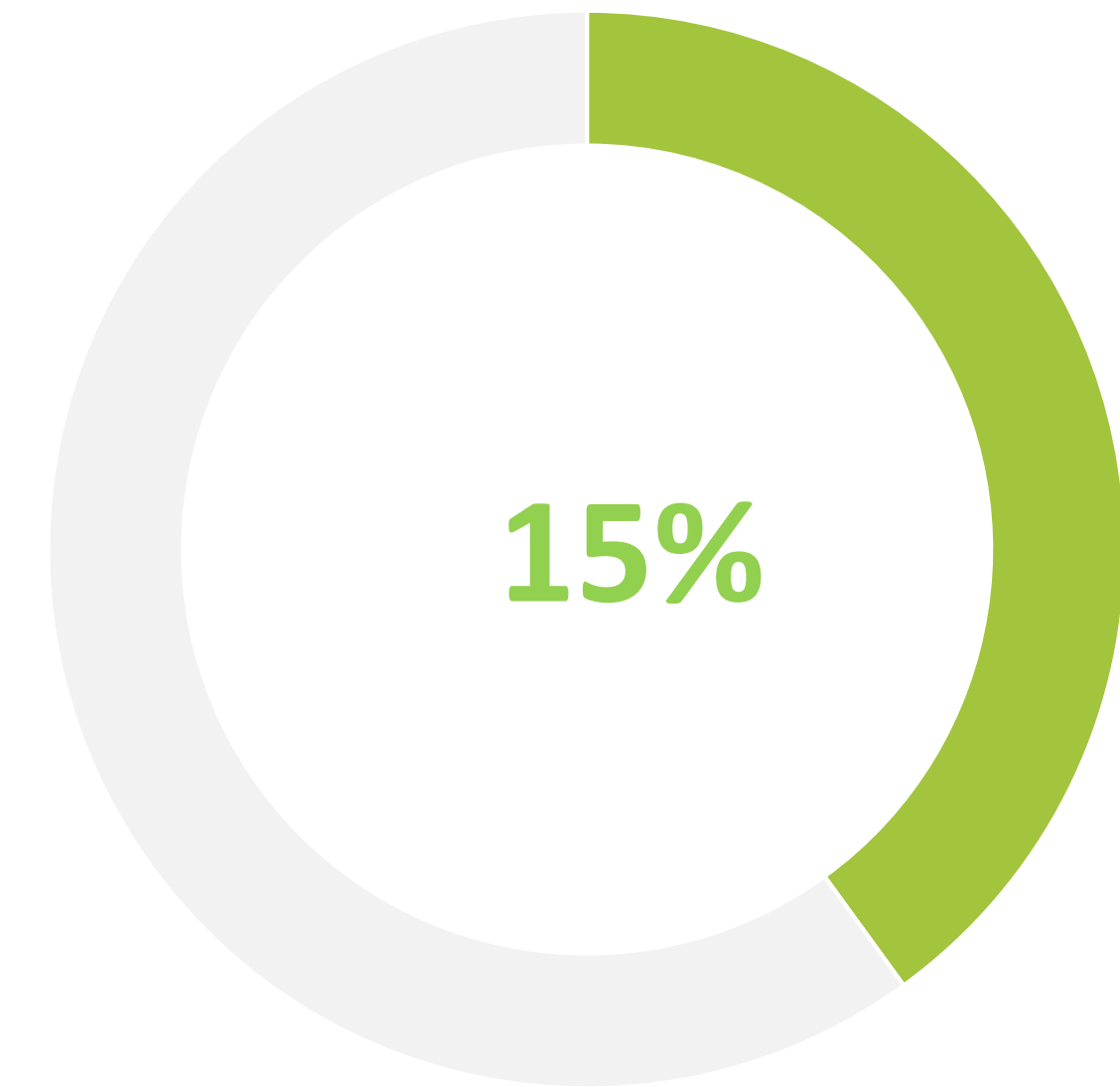
VAT Rates



Exempt Supplies



Zero-Rate Supplies



Standard-Rate Supplies

Exempt Supplies

Exempt Supplies



Exempt Supplies

Exempt Supplies

Some examples of exempt supplies include –

- financial services (such as the provision of credit, life insurance, the services of benefit funds such as medical schemes, provident, pension and retirement annuity funds); Be able to distinguish between Standard-rated, Zero-rated and Exempt supplies;
- passenger transport in South Africa by taxi, bus or train;
- residential accommodation in a dwelling (but not commercial holiday accommodation);
- donated goods or services sold by non-profit bodies (such as religious and welfare organisations);

Exempt Supplies

Some examples of exempt supplies include (cont.) –

- educational services provided by recognised educational institutions such as, primary and secondary schools, technical colleges, or universities which have been approved as public benefit organisations;
- childcare services provided at crèches and after-school care centres; and
- services provided to members of body corporates, share block companies, retired persons, political parties, trade unions, housing schemes and home-owners associations which are supplied out of levy contributions by such members.

Exempt Supplies

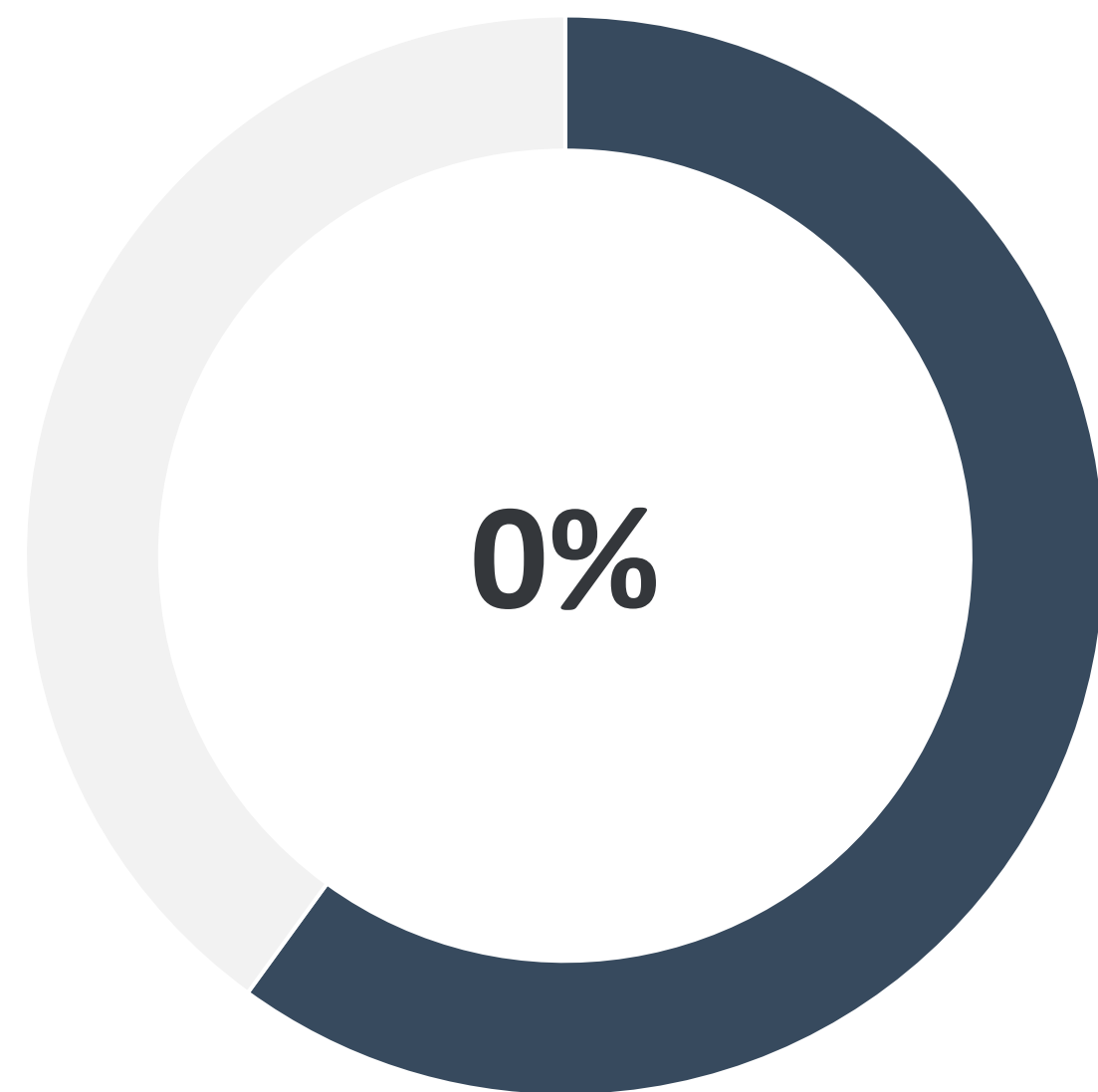
Passenger transport (road and rail):

The supply of passenger transport by road or rail is exempt from VAT if the transportation –

- ❖ *is between two places within the RSA;*
- ❖ *is of fare-paying passengers and their baggage or belongings and*
- ❖ *is supplied in the course of a transport business (taxi operators/bus and rail companies) in a vehicle operated by the supplier of the transportation service or a person acting as the supplier's agent.*

Zero-Rated Supplies

VAT Rates



Zero-Rate Supplies

Zero-rated supplies are taxable supplies on which VAT is levied at a rate of 0%.

The application of the zero-rate must be supported by documentary proof acceptable to the Commissioner.

Zero-Rated Supplies

Vendors making zero-rated supplies are still able to deduct input tax in full on the goods or services acquired in the making of the zero-rated supplies.

Zero-Rated Supplies

- brown bread
- brown bread flour (excluding wheaten bran)
- hens eggs (that is, not from ostriches, ducks etc.)
- dried beans
- maize meal
- pilchards in tins or cans
- milk, cultured milk, milk powder and dairy powder blend

Zero-Rated Supplies

- dried mealies and mealie rice
- samp
- vegetables and fresh fruit
- lentils
- vegetable cooking oil (excluding olive oil)
- edible legumes and pulses of leguminous plants (that is, peas, beans, peanuts etc.)

Zero-Rated Supplies

VAT Panel Recommendations (August 2018):

- White bread
- White flour
- Cake flour
- Sanitary products, combined with the free provision of sanitary products to women and girls.
- School uniforms, subject to further investigation to clearly demarcate school uniforms.
- Nappies

Zero-Rated Supplies

Fuel levy goods

Most motor fuels are subject to taxes such as the General Fuel Levy, the Road Accident Fund Levy as well as excise duty.

The VAT Act therefore provides that certain specified “fuel levy goods” are subject to the zero rate.

Zero-Rated Supplies

Other Zero-Rated Supplies

- Foreign donor funded project
- Farming goods
- Services physically performed outside the Republic
- Goods temporarily imported for repairs
- International transport
- Vocational training of employees
- Payments made by public authorities and municipalities to welfare organisations

Zero-Rated Supplies

Other Zero-Rated Supplies

Going concern:

The supply of an enterprise or part of an enterprise which is capable of separate operation as a going concern qualifies for the zero rate;

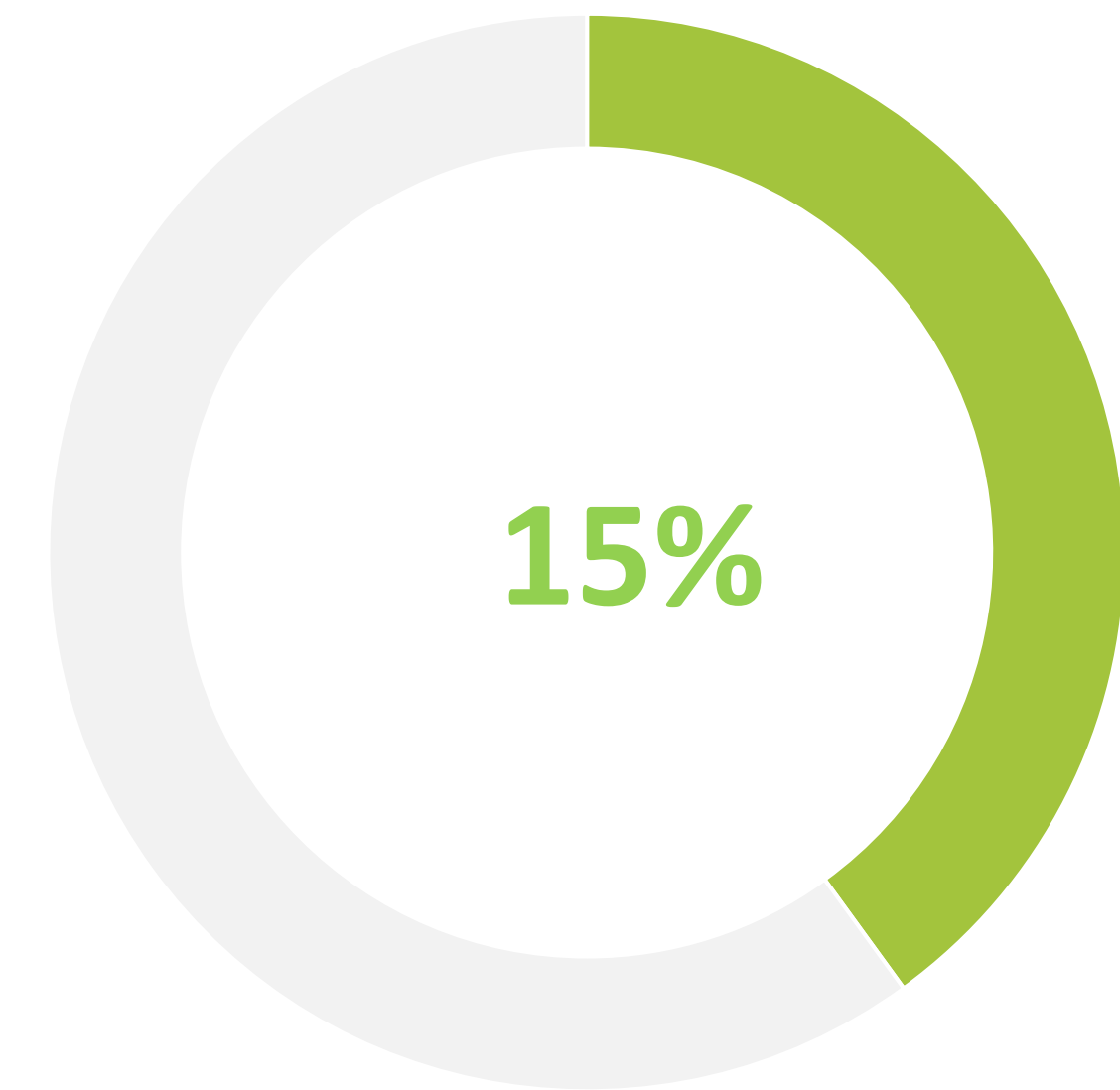
Services relating to intellectual property rights:

Services supplied in connection with intellectual property rights to be used outside the Republic are taxable supplies which are subject to VAT at the zero rate.

Standard-Rated Supplies

VAT Rates

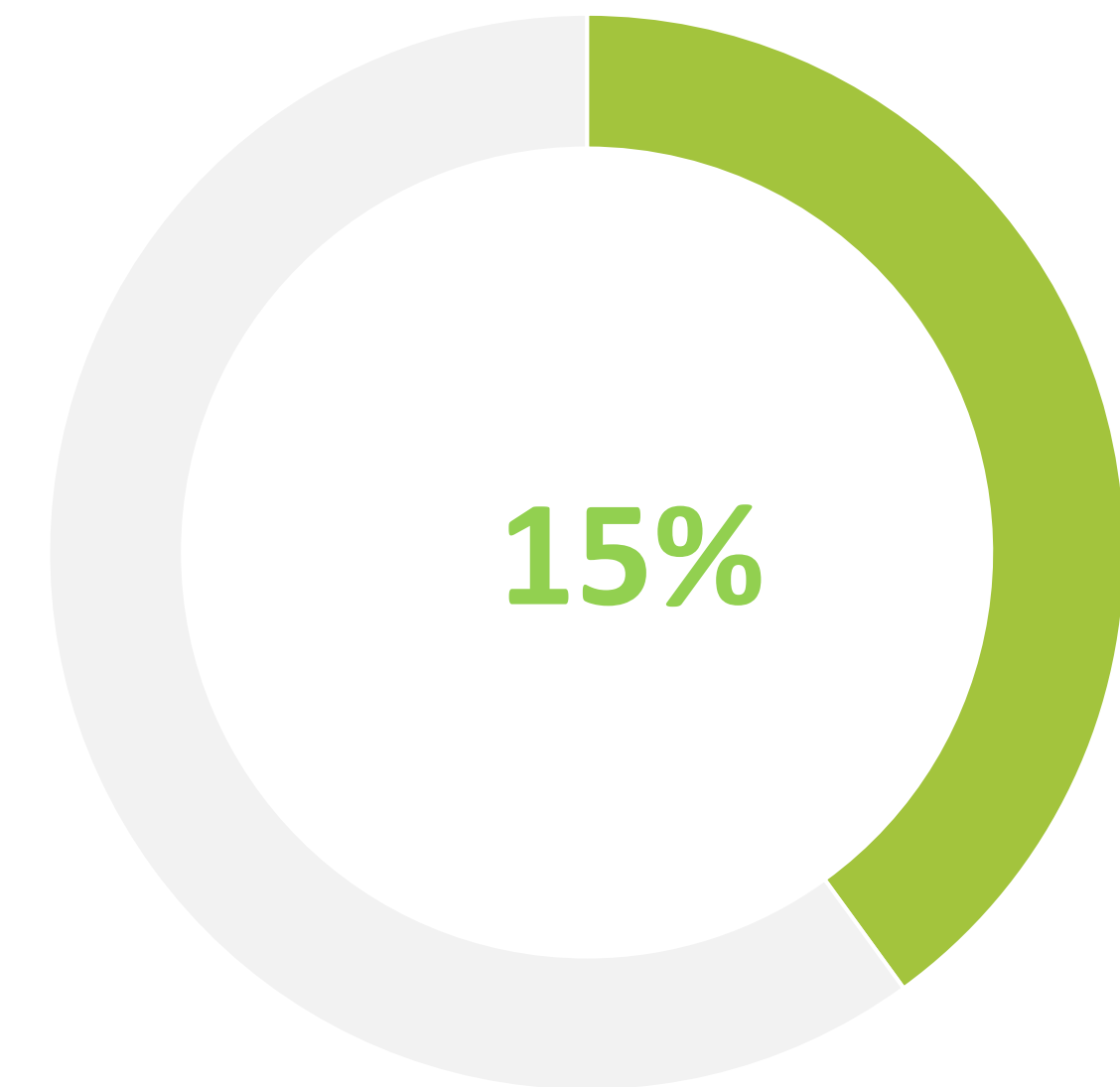
A standard-rated supply is a supply of goods or services by a vendor which is subject to VAT at the standard rate of 15%.



Standard-Rate Supplies

VAT Rates

As a general rule, the supply of all goods and services are taxable at the standard rate, **unless** it is specifically zero-rated under section 11 (see 6.3), or exempt under section 12.



Standard-Rate Supplies

10 Min Break

This Session

VAT REGISTRATION

VAT PERIODS

ACCOUNTING FOR
VAT

Vat Registration

Enterprise

A person can only register for VAT if that person is carrying on an enterprise.

Vat Registration

Welfare organisations:

To qualify as a welfare organisation for VAT purposes, the organisation must –

- ✓ be an approved public benefit organisation (PBO) for income tax purposes; and

Vat Registration

Welfare organisations (cont.):

✓ must also carry on one or more of the welfare activities as determined by the Minister⁷ for purposes of the VAT Act, under the following headings:

- Welfare and humanitarian
- Health care
- Land and housing
- Education and development
- Conservation, environment and animal welfare

Vat Registration

Supply of commercial accommodation:

The total annual receipts from the activity of supplying commercial accommodation must exceed R120 000 or be reasonably expected to exceed that amount in a period of 12 months, for the activity to be an enterprise.

Vat Registration

Compulsory Registration:

You will be liable for compulsory VAT registration if you are carrying on an enterprise and make taxable supplies in the course or furtherance of that enterprise **exceeding R1 million** in any consecutive period of 12 months, or will exceed that amount in terms of a written contractual obligation.

The R1 million compulsory VAT registration threshold applies to the total value of **taxable supplies (turnover)** and **not** the **net income (profit)** that your business has made for the period.

Compulsory Registration:

You will be liable for compulsory VAT registration if you are carrying on an enterprise and make taxable supplies **(TURNOVER)** in the course or furtherance of that enterprise exceeding **R1 million** in any **consecutive period of 12 months**, or will exceed that amount in terms of a written contractual obligation.



COMPULSORY REGISTRATION

Voluntary Registration:

Voluntary Registration:

Taxable supplies made has exceeded the minimum threshold of **R50 000** in the past 12-month period, or meets other requirements.

Registration:

To register for VAT, complete:
VAT101 Form

Registration:

Refusal of a voluntary registration application

A person who applies for voluntary registration may still not be eligible to be registered where the Commissioner is satisfied that the applicant –

- has no fixed place of residence or business; or
- does not keep proper accounting records; or
- has not opened a banking account in the RSA; or and
- has previously been registered as a vendor under VAT or General Sales Tax (GST) and failed to perform the duties of a vendor.

Tax Periods

Tax Periods:

Category A

- January
- March
- May
- July
- September
- November

Category B

- February
- April
- June
- Aug
- October
- December

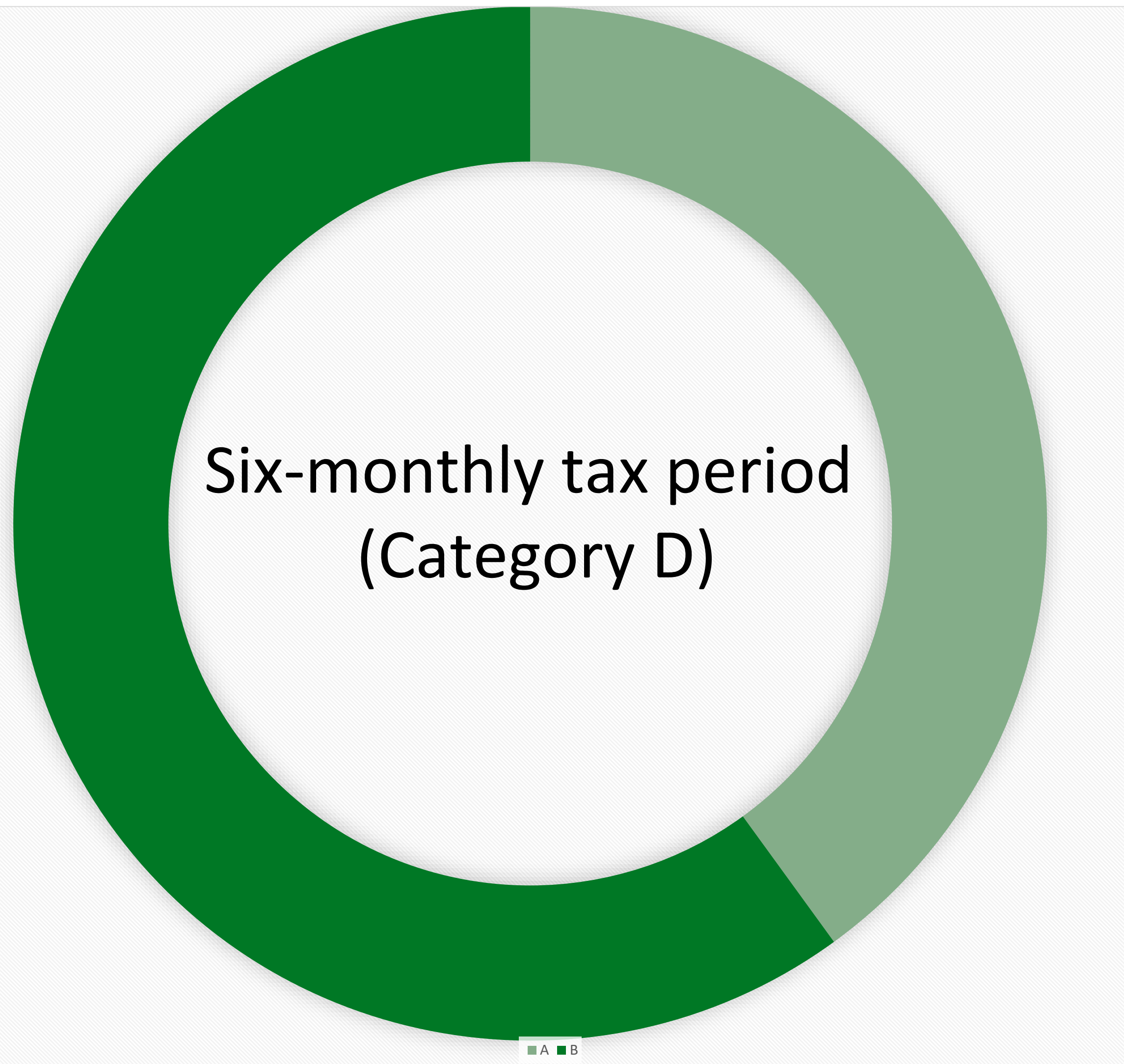
Tax Periods:



Monthly tax period
(Category C)

- ✓ Turnover exceeds or is likely to exceed R30 million in any consecutive 12-month period.
- ✓ Apply in writing for this category.

Tax Periods:



- ✓ Micro businesses under the Income Tax Act and have made a written application to be placed under Category D.
- ✓ Farming, pastoral or agricultural 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.

Tax Periods:



Annual tax period
(Category E)

Examples include enterprises in the business of:

- letting of fixed properties; or
- renting of movable goods; or
- the administration or management of such companies.

Tax Periods:



**Four-monthly tax period
(Category F)**

- ✓ Category F, which applied to small businesses, was repealed with effect from 1 July 2015.
- ✓ Vendors who were registered under this category have since been absorbed into Category B.

5 MIN Break

Accounting For VAT

Accounting For VAT

1. Invoice (Accrual) Basis
2. Payment (Cash) Basis

Accounting For VAT

Special cases:

- ❖ Instalment credit agreement – full VAT on delivery
- ❖ Fixed property – upon receipt of consideration
- ❖ Consideration more than R100 000 – full VAT in tax period
- ❖ Second-hand goods

VAT Calculations, Payments & Interest

Calculations:

- VAT is accounted for using form VAT201
- Output VAT is calculated on taxable supplies
- Deductible Input Vat is Deducted
- Vat payable or refundable is then declared
- In some cases, a review or an audit may be necessary.

Submission & Payment

- VAT201 form must be submitted together with payment of the VAT on or before the 25th day of the following month after the end of your tax period.

Else, penalties & interest!

Q&A

Please use the chat sidebar to the right of the video / presentation on the screen to ask your questions.

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technicalquestions@accountingacademy.co.za

**Thank you for your
participation**

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