

22 March 2018

The National Treasury
240 Madiba Street
PRETORIA
0001

The South African Revenue Service
Lehae La SARS, 299 Bronkhorst Street
PRETORIA
0181

BY EMAIL: Yanga Mputa
Aneesa Baig
Adele Collins

RE: 2018 DRAFT RATES AND MONETARY AMOUNTS AND AMENDMENT OF REVENUE LAWS BILL (DRAFT BILL)

We set out our comments on certain aspects of the Draft Bill below.

Increase of the Value-Added Tax rate from 14% to 15% from 1 April 2018 – implementation

Generally, taxpayers and tax practitioners are concerned that the period between the 21 February 2018 budget announcement and the 1 April 2018 effective date is a very short period of time within which to prepare for the implementation of the VAT rate increase. This is particularly so given that the VAT rate is not increased on a regular basis, which means that systems are not geared for VAT rate increases. VAT vendors have to amend and/or reprogram their systems to deal with the effect of the rate increase. New rules have to be coded into the system to deal with the transition, for example rules for apportionment between the old rate and the new rate.

Different transitional rules apply, for example between goods and services. There are also anti-avoidance rules that apply on top of the normal time-of-supply rules. Where delivery dates do not normally indicate time-of-supply in arm's length transactions, they will now have to be carefully tracked. Credit notes will now also have to be linked to the original tax invoice to determine the relevant VAT rate. Other matters which will require attention is the review of contracts and the updating of the prices advertised in point-of-sales systems, in-store displays and marketing material.

Although most large VAT vendors have allocated resources to try to update their systems in order to try to be compliant with the transitional rules by 1 April 2018, it is likely that smaller and less sophisticated VAT vendors might underestimate the complexity and effort involved until it is too late to comply.

It is likely that many VAT vendors (big and small) will make innocent errors during the transition phase. Although VAT errors often do not translate into a loss to the fiscus, we appreciate that they should be corrected. We request that these VAT vendors be given the opportunity to correct these errors of their own accord when they discover them without being penalised. We suggest that the relevant legislation be amended to ensure that SARS will not impose penalties for such errors for a grace period of say six months from 1 April 2018.

Amendments to Regulations: Electronic Services for the purpose of the definition of “electronic services” in section 1 of the Value-Added Tax Act

Please [click here](#) for comments on the proposed amendments to the Value-Added Tax Act in relation to electronic services.

Yours sincerely

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Head of Tax Policy