



VAT 101

Introduction to VAT

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..... **What is VAT???**



South Africa has a value-added tax (VAT) system that is administered by the South African Revenue Service (SARS). VAT is a tax that is charged on the supply of goods and services in South Africa and is levied at a rate of 15%.



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Why does VAT exist???

VAT is an important source of revenue for the government of South Africa and is used to fund various public services and infrastructure projects.



How does it work???

- The business will charge VAT on supplies of goods and services made by it, on the importation of goods and on imported services (subject to certain conditions).
- The business will also be entitled to deduct any VAT charged to it.

Who should Register???

- It is compulsory for a business to register for VAT if the value of taxable supplies made or to be made, is in excess of R1 million in any consecutive twelve month period.
- A business may also choose to register voluntarily if the value of taxable supplies made, or to be made, is not in excess of R1 million in any consecutive twelve month period.



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There are five categories of voluntary registrations:

1. The first category applies to a specific type of business where there is no threshold for the value of taxable supplies.
2. The second category applies to a business that has made R50 000 in the past period of twelve months.
3. The third category applies to a business where the value of taxable supplies has not exceeded R50 000 and the conditions for registration are listed in a Regulation.
4. The fourth category applies to a business that has acquired a business as a going concern.
5. The fifth category applies to a person that carries on a specific nature of activity as listed in a Regulation. In addition, there are other general requirements that must also be met for a voluntarily registration for VAT.

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When should payments be made??



A business is required to submit VAT returns and make payments of the VAT liabilities (or claim a VAT refund) on or before the 25th day or the last business day of the month following the month in which the vendor's tax period ends. If the 25th day is not a business day, the day for submitting a return and making payment will be the business day preceding such day. Late payments of VAT will attract a penalty and interest.

Tax Periods

- Category A: Every 2 Calendar months
(Last day of Jan, Mar, May, Jul, Sep & Nov)
- Category B: Every 2 Calendar Months
(Last day of Feb, Apr, Jun, Aug, Oct & Dec)
- Category C: Every 1 Calendar Month.
Businesses that are likely to exceed
revenue of R30 Million over 12 months.

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Tax Periods

- Category D: Every 6 Calendar months
(Mainly for farmers and will not exceed R1.5 Million over 12 months)
- Category E: Every 12 Calendar Months
(Ideal for trust funds)

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..... Conclusion



- Overall, VAT plays a vital role in the South African economy and it is important for businesses to understand and comply with VAT regulations. By doing so, businesses can ensure that they are contributing to the development of South Africa and supporting the country's public services and infrastructure.
- VAT is also used to reduce the burden of other taxes, such as income tax, on individuals and businesses



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THANK YOU



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