



VATFlash 3 of 2009

SARS Issues New VAT Guides

SARS has issued the following updated guides for vendors which may be downloaded from their website. These guides were all updated at March 2009:

- VAT 414 Guide for Associations not for Gain and Welfare Organisations;
- VAT 420 Guide for Motor Dealers;
- VAT 404 Guide for Vendors.

Cancellation of Registration

A vendor may apply for cancellation of registration if the value of taxable supplies falls below the limit of R1 million in any consecutive period of 12 months. The Commissioner will also automatically deregister a vendor if:

- The enterprise closes down and will not commence again within the next 12 months; or
- The enterprise never actually commenced or will not commence within the next 12 months; or
- The person opts out of the VAT system and migrates to the Micro Business Turnover Tax.

Whether you want to voluntarily deregister, or your circumstances have changed so that you are no longer liable to be registered as a vendor, you should inform the SARS branch office where you are registered in writing of your situation. Further note that SARS cannot deregister you until all outstanding liabilities and obligations have been settled.

Vendors wishing to deregister voluntarily have two options. The first is to simply deregister from VAT as the value of taxable supplies is less than R1 million and the vendor no longer wishes to continue as a voluntary registrant. Alternatively, the vendor can apply to migrate to the Turnover Tax for micro businesses which require that the vendor deregister for VAT purposes. Some of the implications of these two options are discussed briefly below:

Ordinary deregistration:

- VAT123 form must be submitted and must indicate the circumstances under which the deregistration application is made.
- A letter of acknowledgement will be sent to the applicant. Vendors must continue to charge VAT up until the last day of the final tax period advised by SARS in the letter.
- The applicant must declare output tax in field 1A of the final VAT return on the total value of assets held by the business upon deregistration.
- If the application for deregistration is received on or before 30 June 2009, the applicant will be entitled to pay the exit VAT declared upon deregistration in six equal monthly instalments or longer period if arranged with the Commissioner.

Deregistration and migration to Turnover Tax:

- To register for the Turnover Tax, the applicant must complete and submit a TT01 form to SARS before 30 April 2009 for the 2009/2010 year of assessment.
- Successful applicants will be notified that they have been registered for the Turnover Tax and will automatically follow the normal process to be deregistered from VAT and income tax.
- A letter of acknowledgement will be sent to the applicant with further instructions regarding the VAT deregistration process and vendors must continue to charge and declare VAT until the last day of the final tax period advised by the Commissioner.
- The applicant must declare output tax in field 1A of the final VAT return on the total value of assets held by the business up deregistration. Where the declared value of assets is less than R100 000, no VAT will be payable upon deregistration. Where the value of the assets exceeds R100 000, VAT is only payable on the amount by which the assets exceed R100 000. This VAT must be declared in the final VAT return.
- The applicant will be entitled to pay the exit VAT in six equal monthly instalments or longer if arranged with the Commissioner.

Direct Attribution vs Apportionment

The new 404 Guide for Vendors explains the concept of direct attribution in more detail. The application of direct attribution means that either an expense is incurred:

- Wholly for the purposes of making taxable supplies, in which case input tax may be claimed in full; or
- Wholly for the purposes of making exempt supplies or other non-taxable purposes, in which case no input tax may be claimed.

Therefore, the guide states that the first step is to determine whether or not an expense can be directly attributed to either the making of taxable supplies or to the making of exempt or non-supplies. It is only when the expense cannot be directly attributed as above because it relates to both taxable and exempt supplies, that the VAT on the expense must be apportioned in accordance with the apportionment ratio.

More information on the topics covered in this newsletter is available from Deloitte's Indirect Tax, by contacting:

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