



DIPALESENG LOCAL MUNICIPALITY

POLICY ON:

VAT

2025/26

1. LEGISLATIVE CONTEXT

2. DEFINITIONS

For the purpose of this policy, the following words will be defined as follows:

"VAT" means Value Added Tax

"Accounting Officer"—

- i) in relation to a municipality, means the municipal official referred to in section 60; or
- ii) in relation to a municipal entity, means the official of the entity referred to in section 93, and includes a person acting as the accounting officer;

"Auditor-General" means the person appointed as Auditor-General in terms of section 193 of the Constitution, and includes a person—

- i) acting as Auditor-General;
- ii) acting in terms of a delegation by the Auditor-General; or
- iii) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General;

"chief financial officer" means a person designated in terms of section 80(2)(a);

"MFMA" means Municipal Finance Management Act 56 of 2003

"local municipality" means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality;

"municipal council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act;

"Minister" means the Cabinet member responsible for finance;

"municipal manager" means a person appointed in terms of section 82(1)(a) or (b) of the Municipal Structures Act;

"National Treasury" means the National Treasury established by section 5 of the Public Finance Management Act;

"political office-bearer", in relation to a municipality, means—

- i) the speaker, executive mayor, deputy executive mayor, mayor, deputy mayor or a member of the executive or mayoral committee of a municipality elected, designated or appointed in terms of a specific provision of the Municipal Structures Act; or
- ii) a councillor referred to in section 57(1) of this Act;

"primary bank account" means a bank account referred to in section 8(1);

"vote" means—

- i) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- ii) which specifies the total amount

"creditor", in relation to a municipality, means a person to whom money is owing by the municipality;

3. OVERVIEW

3.1 Value-added tax (VAT) was introduced in South Africa with effect from 30 September 1991 by way of the Value-Added Tax Act 89 of 1991 (VAT Act) to replace sales tax. The VAT system is administered by the South African Revenue Service (SARS).

3.2 The Head of SARS is the Commissioner. The VAT rate in South Africa is 15%.

3.3 Since 1 October 2012, the administration of tax acts, including the VAT Act, is mainly regulated by the Tax Administration Act 28 of 2011. Certain VAT administration provisions are, however, still contained in the VAT Act.

4. OBJECTIVE OF THE POLICY

3.4 The council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently.

3.5 The VAT policy of the municipality is therefore aimed at charging VAT to all applicable services rendered by the municipality.

5. RATES AND SCOPE

5.1 The standard VAT rate of 15% applies to all supplies of goods or services (which do not qualify for the zero rate, an exemption or another exception), the importation of goods by any person, and (in certain instances) the importation of services. There is no higher VAT rate or any reduced VAT rate (except for the zero rate).

5.2 VAT is levied on 'taxable supplies', which are supplies of goods or services made by a 'vendor' (a person registered or required to be registered as a VAT vendor with SARS) in the course or furtherance of an enterprise carried on by the vendor wholly or partly in South Africa.

5.3 The concept of 'goods' includes corporeal movable goods, immovable (fixed) property, and electricity. The concept of 'services' includes anything done or to be done, the granting, assignment, cession or surrender of any right, or the making available of a facility or advantage.

5.4 Money and tax stamps are neither good nor services. The issue, acquisition, collection, buying or selling or transfer of ownership of any cryptocurrency is considered to be a 'financial service' and not money or currency.

5.5 A 'supply' includes performance in terms of a sale, rental agreement, instalment credit agreement, and all other forms of supply, whether voluntary, compulsory or by operation of law.

6. VAT REGISTRATION

- 6.1 The registration threshold is ZAR 1m (\pm USD66,500). If a person's total annual value of taxable supplies has exceeded this threshold during the past 12 months, or there are reasonable grounds to expect that the threshold will be exceeded during the following 12 months (there is a contractual obligation in writing motivating that this threshold will be exceeded), the person must apply for registration.
- 6.2 A 'person' includes natural persons, legal persons (e.g. companies), bodies of persons (e.g. partnerships and joint ventures), public authorities, municipalities, estates, and trust funds.
- 6.3 Registration is not required where the threshold will be exceeded solely as a consequence of the cessation of, or substantial and permanent reduction in, the size or scale of an enterprise, the replacement of capital assets or abnormal circumstances of a temporary nature.
- 6.4 Provisions have been introduced, where foreign suppliers of electronic services are required to register where supplies are made to residents of South Africa, or recipients who have a business, residential or postal address in South Africa, or payment is made from a South African bank account, and the value of these supplies has exceeded ZAR 1m (\pm USD66,500). At least two of these three provisions should be satisfied.
- 6.5 The municipality must register apply for VAT registration.

7. OUTPUT TAX

7.1 Calculation of VAT

- 7.1.1 The municipality must charge the Output tax for all services rendered such as (water and electricity)
- 7.1.2 Output tax is calculated by applying the tax fraction (15,5/115) to the price charged.
- 7.1.3 Advertised prices must include VAT. If the VAT-inclusive and VAT-exclusive prices are advertised or quoted, both prices must be advertised or quoted with equal prominence.
- 7.1.4 Prices charged for taxable supplies are deemed to include VAT, whether or not the municipality has included VAT in the price.

7.2 Exempt supplies

Supplies of the following goods or services are exempt:

- 7.2.1 certain financial services, such as long-term insurance, interest and the provision of credit, exchange of currency, transactions involving letters of credit, equity securities, debt securities shares, derivatives and cryptocurrency
- 7.2.2 donated goods or services supplied by an association not for gain
- 7.2.3 residential accommodation in a dwelling
- 7.2.4 leasehold land that is or will be used to erect a dwelling
- 7.2.5 land (including existing improvements) situated outside South Africa
- 7.2.6 management services supplied by bodies corporate of sectional title property schemes, share block companies, housing development schemes for retired persons, homeowners' associations and body corporates
- 7.2.7 passenger transport by road or railway
- 7.2.8 educational services

- 7.2.9** crèche and after-school services
- 7.2.10** services supplied by employee organisations against payment of membership contributions
- 7.2.11** goods supplied in South Africa by a person who is not a resident of the country, and is not a vendor, if the goods have not been entered for home consumption (unless approval is obtained to zero-rate the supply)
- 7.2.12** goods or services by a bargaining council against payment of membership contributions
- 7.2.13** goods or services by a political party against payment of membership contributions.

7.3 Zero-rated supplies

- 7.3.1** Supplies of the following goods or services are zero-rated, provided that all documentary and procedural requirements have been met.

Zero-rated goods

- 7.3.2** exportation of goods
- 7.3.3** leasing of goods for exclusive use in an export country
- 7.3.4** supply of an enterprise (or separately registered branches) as a going concern
- 7.3.5** unmanufactured gold supplied to the South African Reserve Bank, the South African Mint Company or a registered bank
- 7.3.6** certain gold coins
- 7.3.7** certain agricultural products supplied under prescribed circumstances
- 7.3.8** fuel levy goods and petroleum oil
- 7.3.9** goods transferred to a foreign branch
- 7.3.10** basic foodstuffs such as brown bread, brown wheaten meal, maize meal, samp, mealie rice, dried maize, beans and lentils, pilchards or sardinella, rice, vegetables, fruit, vegetable oil, milk, cultured milk, milk powder, dairy powder blend, eggs, edible legumes, cake wheat flour and white bread wheat flour
- 7.3.11** illuminating paraffin (kerosene) used for illuminating or heating
- 7.3.12** movable goods (excluding a motor car) sold to a registered vendor in a customs-controlled area (CCA) (in an industrial development zone), if the goods are physically delivered to the CCA recipient by the supplier or their cartage contractor
- 7.3.13** certain mining rights
- 7.3.14** goods associated with animal disease grants
- 7.3.15** goods supplied by a vendor to a person who is a non-resident and non-vendor, but delivered to a vendor-recipient who will use the goods wholly for taxable supplies
- 7.3.16** supply of goods by an inbound duty- and tax-free shop
- 7.3.17** supply of goods in a licensed customs and excise storage warehouse, if the goods have not been entered for home consumption (if approval has been obtained to zero-rate instead of exempting the supply)
- 7.3.18** sanitary towels (pads).

Zero-rated services

- 7.3.19** international transport of passengers or goods — outside, to or from South Africa
- 7.3.20** local leg of international carriage by aircraft
- 7.3.21** local leg of international transport of goods
- 7.3.22** certain services rendered to a foreign branch
- 7.3.23** services relating to land and improvements outside South Africa
- 7.3.24** certain services relating to goods outside South Africa, foreign-going ships or aircrafts, goods temporarily admitted, goods exported or a foreign-operated railway train
- 7.3.25** services rendered elsewhere than in South Africa or to a registered vendor in a CCA

- 7.3.26** services supplied to a non-resident, if not directly in connection with movable or immovable property in South Africa (with certain exceptions) or to any person who is in South Africa at the time that the services are rendered
- 7.3.27** the granting of, and other services relating to, intellectual property rights to the extent that the rights will be used outside South Africa
- 7.3.28** services rendered by welfare organisations, to the extent that the services are funded by national or local government
- 7.3.29** certain services funded by government grants
- 7.3.30** services funded by international donor funds
- 7.3.31** vocational training of employees of non-resident, non-vendor employers
- 7.3.32** housing subsidies
- 7.3.33** certain warranty services
- 7.3.34** municipal property rates
- 7.3.35** horse-race winnings
- 7.3.36** certain services supplied to international telecommunications service providers (as contemplated in the International Telecommunication Union Regulations) in certain circumstances.

8. INPUT TAX

8.1 Input tax allowed

- 8.1.1** Input tax incurred on goods or services acquired for the purpose of consumption use or supply in the course of making taxable supplies (including zero-rated supplies) is generally deductible as input tax, provided all documentary requirements are met and the deduction is made in time (generally speaking within five years).
- 8.1.2** VAT incurred in the making of exempt (without credit) supplies cannot be deducted as input tax.

8.2 Input tax expressly denied

The deduction of VAT incurred is expressly denied as input tax in the following circumstances:

- 8.2.1** to the extent that goods or services are acquired for purposes of entertainment (i.e. the provision of food, beverages, accommodation, entertainment, amusement, recreation or hospitality), except —
 - 8.2.1.1** where a vendor carries on an entertainment business
 - 8.2.1.2** where the entertainment expenses are incurred for personal subsistence for business purposes (subject to requirements)
 - 8.2.1.3** where entertainment forms part of a taxable transport service
 - 8.2.1.4** where food and drinks are included in the fee for a seminar
 - 8.2.1.5** where the entertainment is supplied by a municipality in providing sports or recreational facilities or amenities to the public
 - 8.2.1.6** where a welfare organisation incurs entertainment expenses (must relate to the carrying out of the welfare's aims and objectives)
 - 8.2.1.7** where entertainment is provided to an employee at a medical care facility
 - 8.2.1.8** where a meal or refreshment is supplied to a crew member of a ship or vessel
 - 8.2.1.9** where entertainment is provided as a prize in a competition if the entry fees were subject to VAT
- 8.2.2** motor cars, unless acquired by a motor dealer or rental firm for resale or rental purposes or as demonstration model, or where the motor car is awarded as a prize (conditions apply)

8.2.3 membership fees relating to sports, social or recreational activities.

8.3 Partial exemption

- 8.3.1 Where goods or services are acquired for making both taxable supplies and exempt (without credit) supplies, an apportionment of VAT incurred must be made.
- 8.3.2 The standard method for calculating the apportionment is the turnover-based method. If the turnover-based method does not give a fair result, or if the vendor wants to apply another method, SARS' written approval must be obtained.
- 8.3.3 If the intended use of goods or services acquired is more than 95% taxable supplies, the VAT incurred may be deducted in full.

8.4 Adjustments

When the application or use of goods or services is changed subsequent to the acquisition thereof, the amount of VAT that was originally deducted as input tax may no longer be equitable and appropriate in view of the subsequent application of the goods or services.

Adjustments must be made to the municipality's output tax where:

- goods or services acquired for making taxable supplies are subsequently applied wholly for non-taxable purposes. Output tax, calculated on the open market value of the goods or services, must be accounted for in the tax period in which the non-taxable application occurs
- the extent of taxable use or application of capital goods and services (costing more than ZAR40,000) has decreased by more than 10%. Output tax, which is calculated as $[15/115 \times \text{lesser of cost or open market value} \times \% \text{ of decreased taxable use}]$, must be accounted for in the tax period in which the last day of the municipality's income tax year of assessment falls.

Adjustments must be made to the municipality's input tax where:

- goods or services acquired for non-taxable purposes are subsequently applied for making taxable supplies. The deduction is calculated as $[15/115 \times \text{lesser of cost or open market value} \times \% \text{ of taxable use}]$ and may be made in the tax period in which the taxable application occurs
- the extent of taxable use or application of capital goods or services (costing more than ZAR40,000) has increased by more than 10%. The deduction is calculated as $[15/115 \times \text{lesser of cost or open market value} \times \% \text{ of increased taxable use}]$ and may be made in the tax period in which the last day of the municipality's income tax year of assessment falls.

8.5 Pre-registration and post-deregistration VAT

- Under certain circumstances, a company can claim input tax on goods and services acquired by a person on behalf of the company before incorporation.
- A person who has incurred VAT on the acquisition of goods or services prior to their VAT registration date, and who will use the goods or services subsequent to their registration as a VAT vendor, may make a deduction. It is calculated as $[15,5/115 \times \text{lesser of cost or open market value} \times \% \text{ of taxable use}]$ in the tax period in which the taxable application occurs.
- When a vendor is deregistered, VAT is payable on all assets of the business on the date of cancellation of registration. VAT incurred after deregistration cannot be recovered as input tax.

9. PLACE, TIME AND VALUE OF SUPPLIES

9.1 Place of supply

- In line with the destination-based principle, the VAT Act aims to tax only consumption within South Africa by allowing zero-rating for exports of goods and services rendered to non-residents.
- As the VAT Act contains limited place-of-supply rules, uncertainties and disputes have arisen as to when foreign enterprises making supplies in South Africa, for example by way of local agents, must be registered as vendors in South Africa.
- Provisions have been introduced that foreign suppliers of electronic services are required to register if they supply electronic services to any person resident in South Africa. The definition of an 'electronic service' has been revised with the issue of a new Regulation (Regulation No.429 published in Government Gazette No. 42316 dated 18 March 2019) effective 1 April 2019, which has widened the scope of electronic services.
- 'Electronic services' is defined as any services supplied by means of an electronic agent, electronic communication or the internet for any consideration, with the exception of certain educational services, telecommunications and specific services supplied between companies in the same group of companies

9.2 Time of supply

9.2.1 The time of a supply generally determines the tax period in which output tax must be accounted for and input tax may be claimed, and the municipality's VAT accounting basis (invoice basis or payments basis) may also affect the timing of accounting for VAT.

9.2.2 The general rule is that a supply takes place when an invoice is issued or any payment of consideration (excluding a deposit) is received, whichever is earlier. Various special time-of-supply rules apply, for example:

- rental agreements and service agreements providing for periodic payments — when each payment becomes due or is received, whichever is earlier
- goods supplied progressively or periodically and construction services — when each payment becomes due or is received, or an invoice is issued, whichever is earlier
- instalment credit agreement — when the goods are delivered or any payment is received, whichever is earlier
- fixed property — when registration of transfer is effected in the deeds office, or any payment is made, whichever is earlier
- temporary letting of fixed property — in the tax period when the agreement for the letting and hiring of the accommodation in a dwelling comes into effect
- coin-operated machines — the time of supply for the supplier is when the coin or token is taken from the machine, while time for the recipient is when the coin or token is inserted into the machine
- goods supplied under an agreement (other than instalment credit agreement or rental agreement) for which the whole consideration is not determined — when and to the extent that any payment is due or received, or an invoice is issued, whichever is earlier
- supplies between connected parties — particular time-of-supply rules and provisions apply.

9.3 Value of supply

- 9.3.1 The general rule is that the value of a supply is the consideration (price) paid for the supply. As all prices must include VAT, 'consideration' is a VAT-inclusive concept.

Consideration = Value + 15,5% VAT

VAT = Consideration x 15,5/115,5

Various special rules apply, for example:

- supply to a connected person for less than the open market value of the supply or the consideration cannot be determined at the time where, had a market-related price been paid, the recipient would not be entitled to a full input tax deduction — value is the open market value of the supply
- cancellation of vendor's VAT registration — value is the lesser of the cost or the open market value of all assets at deregistration
- instalment credit agreement — value is the cash value (i.e. cash price, excluding finance charges)
- application of goods (which were acquired for taxable purposes) for non-taxable purposes — value is the open market value of the goods
- supply of certain residential accommodation for an uninterrupted period exceeding 28 days — value is 60% of the all-inclusive charge
- supply of temporary letting of residential property — value is the consideration of the adjusted cost to the vendor of the construction, extension or improvement of the fixed property or the portion of the fixed property supplied
- exportation of second-hand goods — value is the purchase price to the supplier
- fringe benefits — value is the cash equivalent of the benefit for income tax purposes
- supply of entertainment if input tax was denied on the goods or services acquired to supply the entertainment — value is nil
- no price is paid and no special rule applies — value is nil.

10. VAT COMPLIANCE

10.1 Accounting basis and tax period

- 10.1.2 Tax periods are periods of one, two, six or twelve months, depending on the municipality's circumstances:

- one month — compulsory for vendors with annual taxable turnover in excess of ZAR 30m, other vendors may apply
- six months — agricultural, pastoral or other farming enterprise with annual taxable turnover not exceeding ZAR 1.5m may apply
- 12 months — companies and trusts letting goods and providing administrative services to related persons on annual basis may apply
- two months — all other vendors.

10.2 Returns and payment of VAT

- 10.2.1 VAT returns must be filed by the 25th day after the end of the tax period. The return may be filed electronically, in which case the time limit for filing the return is the last business day of the month.
- 10.2.2 VAT payments can be made by way of the SARS e-filing payment facility, at a branch of an approved bank (but not at SARS offices), and by way of electronic funds transfer (EFT).
- 10.2.3 VAT payments must be made to SARS by the 25th day after the end of the tax period (or the last preceding business day).
- 10.2.4 When using the e-filing and e-payment options, payment must be made by the last business day of the month.

10.3 Interest and penalties

10.3.1 Interest and penalties are levied in the case of the following:

- late payment by a vendor — penalty of 10% is levied on the outstanding VAT amount
- payment made after the first day of the month in which payment is due — interest is levied on the outstanding VAT due at a rate fixed from time to time by the minister of finance
- understatement of VAT — understatement penalty levied with reference to a table, which takes the seriousness of the behaviour of the taxpayer into account
- evasion of VAT or fraud — criminal prosecution.

10.3.2 SARS may waive interest and penalties in the following circumstances:

- Interest may be waived if the non-compliance was due to circumstances beyond the control of the vendor.
- Penalty may be waived in the case of nominal or first incidence of non-compliance, or if the non-compliance was due to certain exceptional circumstances. These include a natural or human-made disaster, civil disturbance or disruption in services, serious illness or accident, serious emotional or mental distress, an error or delay on SARS' side, a serious financial hardship, or other circumstances of analogous seriousness.
- An understatement penalty may, in certain circumstances, be waived if the taxpayer made full disclosure to SARS and was in possession of an opinion by a registered tax practitioner that confirmed that the taxpayer's position is more likely than not to be upheld should the matter proceed to court.

10.3.3 Refunds

- If a refund due to a vendor is not made within 21 business days of the return being received, interest is payable by SARS provided that the return was completed correctly and SARS was not prevented from auditing the refund claim.

10.3.4 Objections and appeals

- A person who is aggrieved with an assessment or certain decisions may lodge an objection in the prescribed form within 30 business days. If the person is dissatisfied with SARS' decision, an appeal may be lodged within 30 business days. Depending on the specific circumstances, an appeal may be dealt with by the following:
- the 'alternative dispute resolution' (ADR) process — an informal and cost-effective method of dispute resolution outside the litigation arena

- the Tax Board — an informal and inexpensive process for appeals not exceeding ZAR500,000
- the Tax Court — a formal court process
- the High Court and/or Supreme Court of Appeal — appeal by any party who feels aggrieved by the judgement of the Tax Court.

10.3.5 Time limits

- The maximum period for the recovery of VAT by SARS is five years. This limitation does not apply where the VAT has already been assessed during the five-year period; the failure to pay VAT was intentional; the responsible person did not act in good faith; and any assumption as to VAT liability was not based on reasonable grounds but was due to negligence.
- Input tax must generally be deducted within five years of the time when the input tax was first claimable. However, if the non-deduction of input tax was in line with the practice generally prevailing, the input tax must be claimed within six months.

11. VAT RECORDS

11.1 Tax invoices

A full tax invoice must be issued within 21 days of the date of a taxable supply if the consideration for the taxable supply exceeds ZAR5,000. The tax invoice must be in South African rand and contain the following information:

- the words 'tax invoice', 'VAT invoice' or 'invoice'
- individual serialised invoice number
- name, address and VAT registration number of the supplier
- name, address and VAT registration number (if applicable) of the recipient
- date of issue of invoice
- quantity or volume of goods or services
- full and proper description of goods or services supplied
- amount charged excluding VAT, VAT charged, and amount charged including VAT, or amount inclusive of VAT with a statement to the effect that VAT is included, and the rate of VAT charged.

If the consideration for the taxable supply does not exceed ZAR5,000, the municipality may issue an abridged tax invoice instead of the full tax invoice. The abridged tax invoice must contain all the information required for a full tax invoice except the name, address and VAT registration number of the recipient, and the quantity or volume of the goods or services.

11.2 A foreign language may not be used on invoices.

Invoicing in a foreign currency is allowed if it is a zero-rated tax invoice. For standard-rated tax invoices, the conversion to South African rand based on prescribed exchange rates must be reflected on the tax invoice.

The Commissioner has issued a regulation on the requirements for tax invoices for electronic services, which must include the following information:

- the name and VAT registration number of the electronic services supplier
- the name and address (physical, postal or email address) of the electronic services recipient
- an individual serialised number
- the date of issue
- a description of the electronic services supplied
- the consideration in money for the supply in the currency of any country. If the ZAR currency is used, the amount of the VAT charged or a statement that it includes a VAT charge and the rate at which the VAT is charged must be reflected. If another currency is used, the amount of the tax charged in ZAR, converted at the prescribed exchange rate, or a separate document, must be issued by the electronic services supplier reflecting the amount of tax charged in ZAR
- the exchange rate, at the prescribed rate, used.

Electronic invoicing is generally accepted provided the above requirements are satisfied. Documents kept electronically should be readily accessible when requested by SARS and should be stored in a format which allows SARS to read and correctly analyse the data. The format used for storage must preserve the integrity of the data. Government Notice 787 issued in Government Gazette 35733 sets out the relevant requirements for electronic document retention.

Further, these records must be maintained at a place physically located in South Africa (i.e. the computer servers must be in South Africa), unless a senior SARS official grants the person authority to keep the records at a location outside South Africa and subject to various requirements being met.

11.3 Credit notes and debit notes

Credit and debit notes are issued when the initial consideration for the taxable supply must be adjusted. Credit notes and debit notes must contain the following information:

- the words 'credit note' or 'debit note'
- name, address and VAT registration number of supplier
- name, address and VAT registration number of recipient (only if a full tax invoice was issued for the original supply)
- date of issue of credit note or debit note
- reason for issuing the credit note or debit note
- sufficient information to identify the transaction to which the credit note or debit note relates
- amount charged excluding VAT, VAT charged, and amount charged including VAT, and a statement that VAT is included and the rate of VAT charged.

A credit note is not required where the terms of a prompt payment discount are clearly reflected on the face of the tax invoice.

A supplier must increase its output tax for the period in which the debit note was issued, and the recipient (if a registered vendor) may increase its input tax to reflect the debit note. Where a credit note was issued, the supplier has an option to either decrease their output tax or increase its input tax. The opposite applies to the recipient (if registered as a vendor).

The Commissioner has issued a regulation on the requirements for credit or debit notes for electronic services, which must include the following information:

- the name and VAT registration number of the electronic services supplier
- the name and address (physical, postal or email address) of the electronic services recipient
- a brief explanation of the circumstances giving rise to the issuing of the credit or debit note
- the increased or decreased consideration together with the increased or decreased amount of tax. If the ZAR currency is used, the increased or decreased amount of the VAT or a statement that the consideration includes the increased or decreased amount of VAT and the rate at which the VAT was charged. If another currency is used, the increased or decreased amount of the tax in ZAR or a separate document is issued by the electronic services supplier reflecting the increased or decreased amount of tax in ZAR
- the exchange rate used, being the exchange rate used for the tax invoice.

11.4 Record-keeping

Records must be kept for a period of five years. SARS can perform an unannounced inspection to ensure that records are retained. Records must be kept for inspection in South Africa (unless approval has been granted by SARS for the records to be kept outside South Africa).

The records must be kept or retained:

- in their original form, in an orderly fashion, and in a safe place
- in the form, including electronic form, as may be prescribed by SARS in a public notice
- in another form acceptable and specifically authorised by SARS.

12. SPECIFIC VAT RULES

12.1 Bad debts

- The municipality may claim a deduction if a bad debt has been written off for accounting purposes. If the bad debt is subsequently recovered, output tax must be accounted for.
 - Bad debt relief cannot be claimed when a municipality transfers accounts receivable on a non-recourse basis. If transferred on a recourse basis, a deduction can be claimed only when the debt is transferred back to the vendor in respect of any part of the debt that was subsequently written off as irrecoverable.
10. If a vendor who is registered on the invoice basis claims an input tax deduction and fails to pay the invoice within 12 months, it must account for output tax on the outstanding invoice amount (exceptions apply). When the vendor subsequently pays any amount of the invoice value, an input tax deduction can be claimed.

Land and buildings

11. The sale of land and buildings by the municipality during the ordinary course of its business is subject to VAT, in which case no transfer duty is payable. The sale of fixed property by a non-vendor is subject to transfer duty only (unless an exemption applies).
12. The municipality may claim an input tax deduction on the acquisition of second-hand fixed property under a non-taxable supply to the extent that payment has been made and transfer of the property was effected by registration in a deeds registry in the name of the municipality making the input tax deduction.

Accommodation

13. The letting of a dwelling to be used as a residence of a natural person is exempt from VAT.
14. The supply of short-term accommodation, for example holiday accommodation in hotels and guesthouses, is subject to VAT if the supplier is registered as a VAT vendor in respect of this activity. A person who provides such accommodation qualifies for VAT registration only if they have made (or are expected to make) taxable supplies of such accommodation of more than ZAR120,000 per annum. If such accommodation is provided for an uninterrupted period exceeding 28 days, VAT is charged on only 60% of the charge.

Leasing

15. If goods are supplied under an instalment credit agreement, the supplier must account for output tax on the total cash value excluding any finance charges when the goods are delivered or the first payment is made, whichever time is the earliest.
16. If goods are supplied under a rental agreement, output tax is payable on the full amount of each periodic payment. While VAT is also levied on any finance charges included in the rental, VAT is not payable upfront but only when the instalments are paid.

Promotional gifts

17. Where no consideration is received for promotional gifts distributed by a vendor, no output tax will be payable. A vendor who acquires promotional gifts for purposes of distribution in the course of making taxable supplies (diaries, pens, clothing or product samples, for example) may deduct input tax in respect thereof, unless the input tax is specifically denied, that is where the gift constitutes entertainment (e.g. wine or chocolates).

Secondhand goods

18. The supply of second-hand goods by a vendor is subject to VAT. A vendor who has purchased second-hand goods under a non-taxable supply may, subject to certain conditions, deduct 'notional input tax' that is calculated as the tax fraction (15/115) of the lesser of the open-market value or the consideration paid.
19. Where the second-hand goods are fixed property, the notional input tax may be deducted to the extent that payment has been made and the transfer of the property was effected by registration in a deeds registry in the name of the vendor making the input tax deduction.

Tourism industry

20. The transport of fare-paying passengers by road or railway is exempt, excluding transport by way of a funicular railway or a game-viewing vehicle. The transport of passengers from South Africa to a destination outside South Africa (and vice versa) is zero-rated. The zero-rate also applies to the local leg of an international flight, for example a connecting flight between Cape Town and Johannesburg en route to New York. The supply of accommodation and meals (e.g. in hotels) is subject to VAT at the standard rate.
21. Travel agency fees charged for arranging a tour package are zero-rated if the tourist is outside South Africa when the tour package is arranged, and standard-rated if the tourist is in South Africa when the tour package is arranged.
22. Tour operators must keep accurate records to establish which part of the package relates to exempt supplies (e.g. travel in South Africa), zero-rated supplies (e.g. travel to a place outside South Africa) and taxable supplies (e.g. hotel accommodation).
23. Furthermore, a recent court case judgement reiterated the principle that the full charge of tour packages arranged for foreign tour operators may also be considered standard-rated supplies

as the tourists will be in South Africa when the services (e.g. accommodation, food and beverages etc) are rendered, irrespective of whether the foreigner was outside South Africa when the tour was arranged or purchased.

24. Therefore, the VAT rate applicable will be dependent on the facts and circumstances and where the services will be rendered.

Transfer of a business

The sale of an enterprise (or part thereof) to a registered vendor is zero-rated if the parties have agreed in writing that:

- the enterprise will be sold as a going concern at 0%
- the enterprise will be an income-earning activity on the date of transfer
- the assets that are necessary to carry on the enterprise are disposed of to the purchaser.

If the purchaser of an enterprise that was sold as a going concern at 0% acquires the enterprise partly for non-taxable purposes, output tax must be paid to the extent of the intended non-taxable application (if more than 5% of total application).

Warranty repairs

The supply of services to a warrantor for consideration in respect of goods under warranty is zero-rated if the warrantor is a non-resident and non-vendor; the warrantor is outside South Africa at the time the services are rendered; and VAT was paid on the importation of the goods under warranty.

Reverse charge on valuable metals

Effective from 1 July 2022 National Treasury released Regulations imposing a domestic reverse charge (DRC) on the supply of valuable metals. The main purpose of the DRC is to curb VAT refund fraud that had been prevalent in the second hand gold market. Valuable metals is defined as any goods containing gold in the form of jewellery, bars, blank coins, ingots, buttons, wire, plate, granules, in a solution, residue or similar forms, including any ancillary goods or services.

The DRC applies to standard-rated sales of valuable metal between registered vendors. Under the Regulations, the purchaser (i.e. recipient) and not the seller will be required to declare the VAT charged on the sale of valuable metal to SARS in its VAT 201 return. The recipient will be entitled to an input tax deduction only if the VAT amount levied by the seller has been declared and paid in the recipient's VAT 201 return.

The seller must issue a tax invoice to the recipient within 21 days of the date of the supply with additional information such as the supply is subject to the DRC and a statement that the amount of VAT charged must be accounted for and paid (on behalf of the seller) by the recipient. However, where approval is granted, the recipient may issue the tax invoice (i.e. recipient created tax invoice).

The recipient must notify the supplying vendor in writing by means of a statement within 21 days after the end of the calendar month during which a tax invoice was issued to the recipient vendor. The statement must contain, amongst others, the following particulars:

- the tax invoice number
- the value of the DRC supplies
- full and proper description of the valuable metal as well as the percentage of the gold content contained within the valuable metal
- confirmation that the VAT charged by the supplier was accounted for and paid to SARS by reflecting the applicable tax period and payment reference number (this number is generated by SARS regardless of whether the return for the tax period results in a payment due by or a refund due to the recipient) issued by SARS.

13. OTHER INDIRECT TAXES

Customs duty

- Customs duty is payable on the importation of goods into South Africa at the time of entry for home consumption. The rate of duty is often determined as a percentage of the value of the goods (ad valorem) at a rate ranging from 0% to as high as 60%.
- Additional ad valorem customs duties are levied on a range of luxury items.
- South Africa is a member of the Southern African Customs Union (SACU) which includes, as other members, Botswana, Namibia, Lesotho and eSwatini (Swaziland). Import duties are not levied on movements of goods between these countries.
- Depending on the origin of the imported goods concerned, preferential tariff treatment may be applied. Furthermore, a number of duty relief schemes are available depending on the type of customs-related activities in which an importer or exporter engages

Excise duty

25. Excise duty is payable on certain locally manufactured goods, and non-essential products consumed locally with a corresponding customs duty (at the same rate of duty) on imported goods of the same class or kind, for example fuel products, tobacco products, malt beer, traditional African beer, spirits (liquor) products, wine, other fermented beverages, ad valorem products and environmental levy goods. The rate of excise duty is levied on the specific quantity or volume consumed.
26. Ad valorem excise duty is payable on other locally manufactured non-essential or luxury products with a corresponding ad valorem customs duty (at the same rate of duty) on imported goods of the same class or kind. These include motor vehicles, cell phones, cosmetics and television receivers. The excise duty is assessed on the value of the products consumed locally.
27. Government has proposed to apply a flat excise duty to both electronic nicotine delivery systems and electronic non-nicotine delivery systems.

Environmental levies

28. An environmental levy is charged on certain locally manufactured and imported plastic carrier bags and flat bags (e.g. grocery bags), electricity generated at an electricity generation plant in South Africa, electrical filament lamps and carbon dioxide (CO₂) vehicle emissions

Carbon tax

29. The carbon tax act no. 15 of 2019 became effective on 1 June 2019. Carbon tax, at a rate of r159/ per tonne of carbon dioxide equivalent (tco_{2e}) for the 2023 tax period (1 January 2023 until 31 December 2023), must be levied in respect of the sum of the scope 1, direct greenhouse gas (ghg) emissions of a taxpayer. The ghg emissions resulting from fuel combustion, industrial processes and product use as well as fugitive emissions expressed as a carbon dioxide equivalent will be taxable. A person conducting an activity in South Africa resulting in ghg emissions equal to and/or above the prescribed thresholds, as provided for in schedule 2 of the carbon tax act, will be subject to carbon tax.
30. Taxpayers can leverage tax-free allowances that will reduce their tax obligation. These allowances will be administered as rebates, in terms of schedule 6 of the customs and excise act. The allowances are as follows:
31. Basic tax free / allowance for fossil fuel combustion – 60%.
32. Allowance for industrial process emissions – 0% to 10%.

33. Allowance in respect of fugitive emissions – 0% to 10%.
34. Trade exposure allowance – 0% to 10% (capped at 10%).
35. Performance allowance – 0% to 5% (capped at 5%).
36. Carbon budget allowance – 5% (the carbon budget allowance was set to have fallen away from 1 January 2023. However, given the delay in the promulgation of the climate change act encompassing the mandatory carbon budgeting system, the carbon budget allowance is yet to be repealed).
37. Carbon offset allowance – 5% or 10%.
38. Multiple allowances can be granted to the same taxpayer. However, the total may not exceed 95%.
39. The abovementioned carbon tax allowances will remain unchanged until the end of phase one of the carbon tax regime (phase one runs until 31 December 2025). Phase 2 of the carbon tax regime is set to commence on 1 January 2026, whereinafter, it is anticipated that the above allowances will be reduced, and the carbon tax rate significantly increased, to bring the rate in line with global carbon prices.
40. The taxation laws amendment act, 2022 (tlaa), has provided the carbon tax rate trajectory for the period 2023 – 2030, the rate increases per the tlaa will be as follows:
 41. R190/tco2e for tax period from 1 January 2024 until 31 December 2024
 42. R236/tco2e for tax period from 1 January 2025 until 31 December 2025
 43. R308/tco2e for tax period from 1 January 2026 until 31 December 2026
 44. R347/tco2e for tax period from 1 January 2027 until 31 December 2027
 45. R385/tco2e for tax period from 1 January 2028 until 31 December 2028
 46. R424/tco2e for tax period from 1 January 2029 until 31 December 2029
 47. R462/tco2e for tax period from 1 January 2030 until 31 December 2030.
48. 'persons' and/or 'data providers' operating in South Africa, who conduct activities resulting in ghg emissions equal to or above the prescribed thresholds, as provided for in annexure 1 of the national greenhouse gas emission reporting regulations (nger regulations) as well as schedule 2 of the carbon tax act, will be considered as taxpayers under the carbon tax act and as a data provider under the nger regulations. Persons and/or data providers will be required to submit carbon budgets and adhere to the provisions of the mandatory carbon budgeting system set out in the climate change bill. In terms of the provisions of the climate change bill, persons who exceed their assigned carbon budget will be penalised at a rate of R640/tco2e, for every tonne, exceeded beyond an assigned carbon budget. The climate change bill is yet to be promulgated which creates a degree of uncertainty. It is, however, recommended that taxpayers opt to adhere to the proposed incoming provisions.
49. To comply with the carbon tax act and the nger regulations, taxpayers/ data providers must ensure that ghg emissions data are reported by 31 March to the department of forestry fisheries and the environment and carbon tax returns are submitted to the South African revenue service by the penultimate working day of July for the preceding year.

Health Promotion Levy on sugary beverages (sugar tax)

50. From 1 April 2018, a levy on sugary beverages was introduced to decrease diabetes, obesity and other related diseases and is known as the Health Promotion Levy (HPL) and commonly referred to as sugar tax. The rate is 2.1 cents per gram of sugar content that exceeds 4.0 grams per 100 ml. The first 4.0 grams per 100 ml are exempt from the HPL.
51. For the purposes of HPL, sugar content means both intrinsic and added sugar and other sweetening matter. This levy is applicable to both identified imported products and locally manufactured products. HPL on imported products is levied when it is cleared for home consumption and HPL on locally manufactured products is payable by the South African manufacturers. HPL is not payable on sugar beverages that are exported or used in the process of manufacture of other dutiable goods.

Transfer duty

Transfer duty is payable on the transfer of immovable property unless the supply of the property is subject to VAT. The person acquiring the property must pay the transfer duty. The following rates apply with effect from 1 March 2021:

52. if the value of the property is less than ZAR 1.1m — 0%
53. if the value of the property exceeds ZAR 1.1m, but not more than ZAR 1.513m — 3% on the value above ZAR 1.1m
54. if the value of the property exceeds ZAR 1.513m but not more than ZAR 2.118m — ZAR 12,375 + 6% of the value above ZAR 1.512m
55. if the value of the property exceeds ZAR 2.118m but not more than ZAR 2.723m — ZAR 48,675 + 8% of the value above ZAR 2.118m
56. if the value of the property exceeds ZAR 2.723m but not more than ZAR 12.1m — ZAR 97,075 + 11% of the value above ZAR 2.723m
57. if the value of the property exceeds ZAR 12.1m — ZAR 1.129m + 13% of the value above ZAR 12.1m.

Securities transfer tax

- Securities transfer tax is charged on the transfer of listed and unlisted securities at the rate of 0.25% of the taxable amount (the purchase consideration unless a special rule applies) in respect of any transfer of a security.

Skills development levy

- A skills development levy is payable by employers who have an annual payroll in excess of ZAR500,000 at a rate of 1% of the total remuneration paid to employees. This is a compulsory levy scheme for the funding of education and training.

Turnover tax

- Certain persons whose turnover does not exceed ZAR 1m during the year of assessment, and who do not render professional services, may apply to be registered for the turnover tax for microbusinesses. This is a simplified tax system which serves as an alternative to VAT, Income Tax, Provisional Tax, Capital Gains Tax and Dividends Tax for micro businesses.

General fuel levy and Road Accident Fund levy

- The general fuel levy and the Road Accident Fund levy are payable on the sale of petrol and diesel. No VAT is payable on fuel levy goods.

Air passenger departure tax

- Passengers departing to Botswana, Lesotho, Namibia and eSwatini pay air passenger departure tax of ZAR100 per passenger, while passengers departing to other international destinations pay ZAR190 per passenger.

14. REVIEW OF POLICY

The Municipal Council shall review and approve the policy annually before the start of each financial year with relevance to legal compliance.

15. EFFECTIVE DATE

This policy comes in effect on date of approval.

Implementation Date	Council Resolution no.	Adopted Date
1 July 2025	140/05/25	28/05/2025

