

## CHARTERED ACCOUNTANTS

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# MoneyTalk

## Increased VAT registration threshold not yet in force

*The R1 million turnover threshold for compulsory VAT registration will only come into effect in 2009—SARS*

FINANCE MINISTER Trevor Manuel announced in his 2008 Budget speech that the annual turnover threshold for compulsory registration as a VAT vendor would be increased from the current R300 000 to R1 million.

There's just one problem—Manuel only said that this increase to the compulsory registration threshold was *proposed*—he didn't actually say when the change would be implemented.

Many small business owners have been posing either one of the following questions in response to Manuel's announcement:

- My annual turnover exceeds R300 000, but not R1 million. I am not VAT-registered—do I need to register?
- My annual turnover exceeds R300 000, but not R1 million. I am VAT-registered—can I deregister?

According to an e-mail sent by SARS to tax practitioners on 26 May 2008, the introduction of the new threshold will be delayed until the new turnover-based tax option for small business is implemented. Given that consultation on this new tax regime still needs to take place, according to the notice, this means that the effective date of the new VAT registration threshold will be delayed until 2009.

In the meantime, the compulsory registration annual turnover threshold remains at R300 000, according to the notice.

The implications of this notice for small business are as follows:

- If your annual turnover exceeds R300 000, you remain required to register as a vendor for VAT purposes in terms of Section 23 (1) of the Value-Added Tax Act, 1991. This is notwithstanding the fact that your annual turnover does not currently exceed R1 million.
- If your annual turnover is between R300 000 and R1 million and you were contemplating deregistering as a VAT vendor as a consequence of Manuel's Budget announcement, the notice clearly indicates that you will not be able to deregister since your annual turnover currently exceeds the threshold provided for in Section 23(1).

Copied from a Tax Breaks publication by Steven Jones

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