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MoneyTalk

New Invoicing for VAT Vendors w.e.f. 1 March 2005

BUSINESSES SHOULD KNOW THAT FROM 1 MARCH 2005 TAX INVOICES HAVE TO COMPLY WITH A FEW NEW RULES IN ORDER TO COUNT AS TAX INVOICES – MAKE SURE YOUR COMPANY IS READY.

According to accounting firm Deloitte & Touche, in the 2003 Budget government said that "VAT vendors would be required to issue tax invoices, which include the recipients' VAT registration number where the supplies exceeded R1000".

VAT (value added tax) in SA is charged at 14 per cent. To calculate the VAT payment due by a business, the business adds up all the VAT paid on the products it bought (input VAT) and subtracts that amount from the total VAT collected, or charged on those things sold (output VAT).

However, the business can only claim input VAT on a particular product if it has proper tax invoices to support its claims on how much input VAT it paid.

A tax invoice is not the same as an ordinary invoice. A normal invoice is a document notifying the purchaser of an obligation to make payment in respect of a transaction.

On the other hand, a tax invoice is a document that is provided for in the Value-Added Tax Act, to enable the vendor to claim input tax. It will therefore always relate to a taxable supply (the bit of what you are buying that is under the VAT Act).

The VAT Act prescribes that a tax invoice must contain certain details about the taxable supply as well as the parties to the transaction.

Until 28 February 2005, a tax invoice needs to have the following information on it:

- The words "TAX INVOICE" in a prominent place

- Name, address and VAT registration number of the supplier
- Name and address of recipient
- Serial number and date of issue
- Accurate description of goods and/or services
- Quantity or volume of goods or services supplied
- Price and VAT

From 1 March 2005, the tax invoice, debit or credit note will also have to include the VAT number of the recipient. Originally this rule was to apply to all transactions worth more than R1000, but according to Deloitte, that amount has been amended to R3000.

Businesses still have time to retool their processes to include the VAT number of the recipient. Plenty of business people viewed this as a major hassle, but Deloitte pointed out some advantages of the rule.

"As a result of widespread abuse of tax invoices, and the high incidence of fraud in respect of tax invoices, it is difficult to argue against the view that having the VAT number of the recipient on the invoice will act as a further deterrent to errant vendors," said Deloitte in a VATFLASH newsletter earlier in the year.

"SARS envisages an audit environment in the very near future, where its auditors will access VAT vendors' systems by way of remote access in order to perform electronic VAT audits. In line with this process, SARS regards the VAT number of the recipient as having more credibility than merely the recipient's name and address."

Within the attempts by SARS to improve the efficiency of its collections, adding the VAT number will make it harder for misbehaving vendors to avoid detection.

Eventually, it should also become possible to scrap using the recipient's name and address, and simply use the VAT number. This would make VAT record keeping more streamlined and more digital-age friendly.

This article is extracted from Tax Breaks.

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