

Peter and Vuyokazi started their business, Ziter Pics, on 1 March 2019. They have approached you to discuss the requirements for VAT payments.

- 1** Explain the following to Peter and Vuyokazi:
 - 1.1** What does VAT stand for?
 - 1.2** What is the rate of VAT in South Africa?
 - 1.3** Is VAT paid on all items? Explain.
 - 1.4** Who do you pay the VAT over to?
 - 1.5** Explain the different systems according to which a business can register for VAT. Which system must Ziter Pics register for?
 - 1.6** How must they treat the following according to the system that they are registered on:
 - Bad debt
 - Discounts
 - Goods returned?
- 2** Show the basic VAT calculations for the following transactions: Round off to the nearest cent.
 - 2.1** A cash invoice received for purchases totalled R3 900. What amount of VAT will Ziter Pics pay? Is this Input or Output VAT?
 - 2.2** A credit invoice issued to debtor for sales, R11 115. Calculate VAT paid and the cost of sales if the mark up percentage is 50%. Is this Input or Output VAT?
 - 2.3** Ziter Pics wishes to achieve a mark-up of 50%. If the goods were purchased from a wholesaler for R4 200 (including VAT), what will the customer pay?
- 3** What will happen if they are late with payment?
- 4** Explain tax evasion and the consequences thereof.
- 5** What are the internal control measures that must be considered when payments are made to SARS?