

Standard rate of VAT in SA is 14%

Consists of all goods and services except private sales by persons or domestic items, salaries and wages, hobbies or any private recreational pursuits, zero-rated items and exempted supplies.

Zero-rated items: the VAT rate is 0%

Examples: brown bread, milk, maize products, rice, lentils, dried beans, legumes, fruit, vegetables, milk powders, cooking oil, eggs, canned pilchards and paraffin. Includes petrol and diesel (which are subjected to fuel levies).

There is NO VAT on exempted items

Interest, rates, export services, childcare services, educational services and services provided by associations not for gain

Calculation of VAT

$$\begin{aligned} \text{Exclusive of VAT} &= \frac{14}{100} \times \frac{\text{Selling Price}}{1} \\ \text{Calculation of Selling Price} &= \frac{100}{100 + \text{mark-up \%}} \times \frac{\text{Cost Price}}{1} \end{aligned}$$

Methods of calculating VAT

- Invoice basis (automatic)
- VAT is declared and claimed when the invoice is issued or received
- Payments Basis (on application with motivation)
- VAT is declared when payment for goods are received or made

Bad debt and VAT

VAT is paid using the invoice method, which means that VAT was paid when the sale of goods took place. If bad debts occur, then the VAT on the bad debts amount is calculated and can be claimed from SARS as Input VAT.

Discount and VAT

When a discount is allowed, then the VAT is calculated on the discount amount and can be claimed from SARS as Input VAT.

Goods Returned and VAT

When goods are returned, VAT is calculated on the value of the returned goods. This VAT amount can be claimed as Input VAT.

Internal auditing, internal control and ethics

- VAT is legally required to be paid to SARS.
- Accurate records (physical books, source documents) should be kept and filed to ensure that Vendors provide correct and accurate information about VAT to SARS.
- It is immoral and unethical to evade paying tax. Tax evasion is fraud.
- It is unethical to charge tax on zero-rated items and exempted supplies.
- The internal auditor should ensure that the business makes accurate recordings and calculations of Input and Output VAT and that a return is submitted according to the type of vendor registration (for example, every month or every second month).

Late submission of VAT returns

They incur an interest of 10% of the VAT amount stated on the return plus a percentage compound interest charged for every month or part of the month that the return is late. This interest rate is determined by the Minister of Finance.