GOVERNMENT NOTICE
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SOUTH AFRICAN REVENUE SERVICE
SUID-AFRIKAANSE INKOMSTEDIENS

No. R. 287 **1 April 2005**

REGULATIONS ISSUED IN TERMS OF SECTION 16(1) OF THE VALUE-ADDED TAX ACT, 1991 (ACT NO 89 OF 1991), TO CALCULATE THE TAX PAYABLE IN TERMS OF A SMALL RETAILERS VAT PACKAGE

By virtue of the power vested in me by section 16(1) of the Value-Added Tax Act, 1991, I, Trevor Andrew Manuel, Minister of Finance, hereby issue the regulations as set out in the Schedule hereto, to calculate the tax payable by approved vendors in terms of a method to be known as the Small Retailers VAT Package.

T. A. MANUEL
MINISTER OF FINANCE

SCHEDULE

Objective of the Small Retailers VAT Package

In the 2004 and 2005 Budget Speeches, the Government reiterated its long-standing commitment to dealing with small business concerns. One of the concerns raised by the small business sector relates to the level of costs related to tax compliance.

As part of the solution to assist small retailers, an alternative for calculating the VAT liability for such retailers was, therefore, announced and developed and will be known as the Small Retailers VAT Package.

A principle of VAT is that a vendor has to separately calculate the VAT due in respect of sales and purchases made in a particular tax period. The Small Retailers VAT Package, however, is designed to calculate the VAT due by reference to the daily gross takings and purchases made by the vendor.

In short, the sum of all zero-rated purchases for the tax period is calculated and an industry mark up percentage is applied to calculate the total zero-rated sales. The vendor has to calculate the daily gross takings for the same tax period and thereafter deduct the total zero-rated sales to determine the total of the standard-rated sales. The tax fraction is then applied to the total of the standard-rated sales to determine the VAT due on sales.

The Small Retailers VAT Package will accordingly not require the vendor to keep the prescribed sales documentation. As a result, it will simplify and reduce the costs of compliance and administration for small retail businesses that sell both standard- and zero-rated goods without compromising the verification by SARS of the vendor's VAT liability.

1. DEFINITIONS

In these regulations, unless the context otherwise indicates, any word or expression to which a meaning has been assigned in the Value-Added Tax Act, 1991, bears the meaning assigned thereto, and for the purposes of these Regulations–

"adequate point of sale equipment" means-

(a) a cash register; or

(b) an electronic scanning system; or

(c) a touch screen register; or

(d) a product-specific cash register,

which is able to separately record zero-rated and standard-rated supplies;

"approved vendor" means a vendor who has obtained written approval from the Commissioner on form VAT SRVP2 to account for output tax in terms of the Small Retailers VAT Package;

"industry mark up percentage" means a percentage mark up on zero-rated products, as determined by the Commissioner;

"the Act" means the Value-Added Tax Act, 1991 (Act No.89 of 1991);

"Small Retailers VAT Package" means the calculation method contained in paragraph 5;

"zero-rated goods" means goods in respect of the supply of which the rate of zero per cent applies under the provisions of section 11(1)(j) read with Schedule 2, Part B of the Act.

2. APPLICATION TO PARTICIPATE IN THE SMALL RETAILERS VAT PACKAGE

A vendor who wishes to participate in the Small Retailers VAT Package must apply in writing to the Commissioner on form VAT SRVP1 for permission to do so.

3. GRANTING OF APPROVAL TO PARTICIPATE IN THE SMALL RETAILERS VAT PACKAGE

(1) The Commissioner must approve an application for permission by a vendor to use the Small Retailers VAT Package, where –

(a) the vendor supplies standard-rated goods and zero-rated goods, from the same business premises;

(b) the vendor does not have adequate point-of-sale equipment;

(c) the vendor's taxable supplies (excluding VAT) does not exceed or is not likely to exceed R1 million in any 12-month period;

(d) the use of the Small Retailers VAT Package will not result in a material distortion of that vendor's output tax; and

(e) the vendor cannot reasonably be expected to account for VAT in accordance with the normal VAT principles.

(2) Where approval is not granted to a vendor to participate in the Small Retailers VAT Package, the Commissioner must notify that vendor in writing and provide reasons therefor.

4. WITHDRAWAL OR DISQUALIFICATION FROM THE SMALL RETAILERS VAT PACKAGE

(1) Where–

(a) the value of the approved vendor's taxable supplies (excluding VAT) exceeds or is likely to exceed R1 million in any 12-month period;

(b) the approved vendor obtains adequate point-of-sale equipment;

(c) the output tax calculated by the approved vendor in terms of the Small Retailers VAT Package is materially distorted;

(d) the vendor does not supply standard-rated goods and zero-rated goods from the same business premises; or

(e) the vendor can reasonably be expected to account for VAT in accordance with the normal VAT principles,

the approved vendor must inform the Commissioner in writing of that vendor's withdrawal from the Small Retailers VAT Package using form VAT SRVP3.

(2) Where the circumstances in subparagraph (1)(a), (b), (c), (d) or (e) apply, the Commissioner must inform the approved vendor in writing on form VAT SRVP4 that the vendor is disqualified from participation in the Small Retailers VAT Package and provide reasons for the disqualification.

(3) The vendor referred to in subparagraph (1) and (2) will be disqualified from using the Small Retailers VAT Package from a date determined by the Commissioner on form VAT SRVP4.

5. SMALL RETAILERS VAT PACKAGE CALCULATION METHOD

(1) *Calculation of the output tax liability:*

An approved vendor must determine that vendor's output tax liability by applying the following method:

(i) Calculate the daily gross takings inclusive of VAT in terms of paragraph 5(2);

(ii) calculate the actual zero-rated sales in terms of paragraph 5(3);

(iii) calculate the standard-rated sales in terms of paragraph 5(4);

(iv) calculate the output tax liability by applying the tax fraction (14/114) to the total of the standard-rated sales made in the tax period; and

(v) account for output tax in the VAT return in terms of paragraph 6.

(2) *Calculation of the daily gross takings ("DGT"):*

The approved vendor must calculate the DGT by using the following method:

Cash in the till at end of trading day	
Add: Monies banked (including cheques deposited)	
Credit and debit card vouchers in respect of sales	
Cash taken for purchases	
Cash taken for own use	
Cash taken for wages arid salaries	
Credit sales (only for vendors on the invoice basis)	
Any other cash withdrawal	
Less: Daily float	
Debtors Receipts (only for vendors on the invoice basis)	
Refunds paid to customers	
TOTAL DGT	

(3) *Calculate the actual zero-rated sales:*

The approved vendor must calculate the actual daily zero-rated sales in the following manner:

(a)	Zero-rated purchases (as indicated on purchases register*)	
(b)	Less: Zero-rated purchases used to make standard-rated supplies	
(c)	*Equals: Total zero-rated purchases used exclusively to make zero-rated supplies*	
(d)	Calculate the actual mark up by applying the industry mark up percentage to (c)	
	Add (c) and (d) to determine the TOTAL ZERO-RATED SALES	

**The purchases register records all zero-rated purchases made by the approved vendor in the applicable tax period.*

(4) *Calculate the standard-rated sales:*

Once the approved vendor has calculated the DGT in terms of paragraph 5(2), as well as the total of the daily zero-rated sales in terms of paragraph 5(3), the vendor must deduct the daily zero-rated sales from the DGT. The difference will represent the daily standard-rated sales inclusive of VAT.

6 **COMPLETION OF VAT 201 RETURN**

In addition to sales, purchases and adjustments which fall outside the ambit of the Small Retailers VAT Package, the following amounts must be reflected on the VAT201:

(a) The total of the standard-rated sales for the tax period as determined in paragraph 5(4), must be reflected in block 1 of the VAT 201 return. The output tax ~~to be paid~~ in respect of the standard-rated sales will be determined by applying the tax fraction (14/114) to the total in block 1. This output tax must be reflected in block 4 of the VAT 201 return.

(b) The approved vendor must add all the daily zero-rated sales for the tax period and reflect this total in block 2 on the VAT 201 return.

(c) The total output tax is calculated by adding blocks 4, 4A, 9, 11 and 12 and must be reflected in block 13.

(d) The total input tax in respect of standard-rated stock purchases and other operating expenses (e.g. telephone and electricity) must be reflected in block 15 on the VAT 201 return.

(e) The total input tax is calculated by adding blocks 14, 15, 16, 17, 18 and must be reflected in block 19.

7. EXCLUSIONS FROM THE SMALL RETAILERS VAT PACKAGE

(1) In determining the output tax liability in terms of the Small Retailers VAT Package, certain transactions will not fall within the Small Retailers VAT Package calculation method.

(2) The following transactions are excluded from the Small Retailers VAT Package calculation method:

(a) where a part of the vendor's business is transferred, the cost of the zero-rated stock transferred must be excluded from the value of the total zero-rated purchases at the end of the tax period;

(b) disposal of business assets;

(c) supply of gifts or entertainment – account for output tax on the supply if the goods are purchased specifically for the purpose of providing entertainment;

(d) short-term insurance payments received;

(e) goods bought for private use and goods taken from stock purchased for personal use;

(f) exempt supplies – any payments received in respect of exempt supplies made by the vendor must be excluded from the DGT; and

(g) any supply of goods at either the standard-rate or zero-rate where the consideration in money for the supply exceeds R100 000.

(3) In addition to the output tax calculated in terms of the Small Retailers VAT Package, the transactions listed in subparagraph (2) must be accounted for as output tax in the approved vendor's VAT 201 return for the applicable tax period.

Example

Facts

Corner Café was successfully registered under the Small Retailers VAT Package with effect from 01 April 2005. Corner Café recorded the following transactions for 01 April 2005:

- Cash in the till at the end of the day	R	800.00
-Cheques and cash banked	R	500.00
- Cash taken for purchases	R	250.00
- Cash taken for own use	R	100.00
- Cash taken to pay wages	R	500.00
- Daily float	R	250.00
- Zero-rated stock purchases	R	250.00
- Standard-rated purchases	R	570.00

Step 1

The calculation of Corner Café's Daily Gross Takings (DGT) for **01 April 2005:**

Cash in the till at end of trading day	800.00
Add: Monies banked (including cheques deposited)	500.00
Credit and debit card vouchers	0.00
Cash taken for purchases	250.00
Cash taken for own use	100.00
Cash taken for wages and salaries	500.00
Credit sales (only for vendors on the invoice basis)	0.00
Any other cash withdrawal	0.00
Less: Daily float	-250.00
Debtors Receipts (only for vendors on the invoice basis)	0.00
Refunds paid to customers	0.00
TOTAL DGT	**1900.00**

Step 2

The calculation of Corner Café's zero-rated sales for 01 April 2005

Zero-rated purchases (as indicated on purchases register*)	250.00
Less: Zero-rated purchases used to make standard-rated supplies	0.00
Equals: Total zero-rated purchase used exclusively to make zero-rated supplies	250.00
Apply the industry mark-up percentage to the zero-rated purchases to determine the value of the mark up *(Assume that the industry mark-up percentage is 10%)*	25.00
Add the zero-rated purchases to the value of the mark-up to obtain the TOTAL ZERO-RATED SALES	275.00

Step 3

The calculation of Corner Café's standard-rated sales for 01 April 2005

Daily Gross Takings	R 1900.00
Less: Zero-rated sales determined in step 2	R 275.00
Total Standard-rated sales	R 1 625.00

Step 4

Calculation of VAT for a tax period (i.e. 2 months)

Corner Café recorded the following transactions for the period 01 April 2005 to 31 May 2005:

Facts

- Daily Gross Takings	R 89 750.00
- Zero-rated sales	R 33 000.00
- Standard-rated sales	R 56 750.00
- Standard-rated purchases	R 34 200.00
- Taxable operating expenses (e.g. electricity, telephone)	R 11 400.00

Step 5

Calculation of Corner Café's VAT Liability for the period 01 April 2005 to 31 May 2005:

Standard-rated sales	R 56 750.00
Output tax (R 56 750.00 X 14/114)	**R 6 969.30**
Zero-rated sales	R 33 000.00
Input tax	**R 5 600.00**
Standard-rated purchases (R 34 200 X 14/114)	R 4 200.00
Operating Expenses (R 11 400 X 14/114)	R 1 400.00

Tax Payable (R 6 969.30 - R 5 600.00) R 1 369.30