

FAQs

on

New Tax Invoice Requirements

Effective 1 March 2005

Updated : February 2005

NEW TAX INVOICE REQUIREMENTS

1 March 2005

(In terms of sections 20(4) and 21(3) of
the Value-Added Tax Act, 1991 (“the VAT Act”))

<p>1. What is a tax invoice and what is its purpose?</p>	<p>It is a special document which is required to be held by a vendor to claim input tax. The term is dealt with in section 20 of the VAT Act which sets out what is required to be reflected on the document. It is also required by tourists wishing to claim a VAT refund on goods which they are removing from RSA.</p>
<p>2. What information is required on a tax invoice effective 1 March 2005 ?</p>	<p>Full tax invoice (section 20(4)) Required where the consideration is R3 000 or more, or is a zero rated supply.</p> <p>The following details are required:-</p> <ul style="list-style-type: none"> ◆ The words “TAX INVOICE” in a prominent place ◆ Name, address and VAT registration number of the supplier ◆ Name, address and VAT registration number of the recipient* ◆ Serial number and date of issue ◆ Description of goods and/or services (also indicating where applicable that the goods are second hand goods) ◆ Quantity or volume** of goods or services supplied ◆ Price & VAT <p>Abridged tax invoice (section 20(5)) Where the amount (inc. VAT) is less than R3 000. The same requirements as above, except that:- *the Name, address and VAT registration number of the recipient, and **the quantity or volume does not need to be specified.</p>
<p>3. Are there any instances where the VAT number of the recipient will not be required on a tax invoice ?</p>	<p>Yes, there are some exceptions such as:-</p> <ul style="list-style-type: none"> ◆ Where the document is an abridged tax invoice (consideration less than R3 000). ◆ If the Commissioner is satisfied that there will be sufficient records and that it will be impractical for the requirement to be met, permission for the recipient’s VAT number to be omitted may be granted on application. (There must be valid reasons for this to be allowed.) ◆ Where the supply is to a non-vendor/ foreign tourist. <p>Where supplies are made via agents to an undisclosed principal, see Q 4 below.</p>

<p>4. What are the implications of the new requirements for agents ?</p>	<p>The following guidelines apply:</p> <ul style="list-style-type: none"> ◆ <i>Where the agent is registered for VAT</i> <ul style="list-style-type: none"> ➤ The tax invoice, credit note or debit note from the supplier must contain the agent's VAT registration number or the principal's VAT registration number. ➤ Where the principal may not be disclosed, only the agent's VAT number must appear on the tax invoice. ◆ <i>Where the agent is not registered for VAT</i> <ul style="list-style-type: none"> ➤ The principal's VAT registration number must appear on the tax invoice, debit or credit note. ➤ Where the agent is acting on behalf of an undisclosed principal and the agent cannot or will not disclose the principal's VAT registration number to the supplier for commercial reasons, the tax invoice, debit note or credit note may be left blank. The VAT number of the principal must instead appear on the agent's statement issued in terms of section 54(3) of the VAT Act. <p>In terms of section 54(3), an agent is required to furnish a monthly statement to the principal regarding supplies made to/or received by the agent on behalf of the principal. Therefore, where a schedule of the transactions and/or copies of the relevant tax invoices, credit notes and debit notes are supplied to the principal, the documentary requirements of sections 16(2) and 20(4) will be regarded as being satisfied, and the principal will be entitled to claim the applicable input tax.</p>
<p>5. Will an air ticket qualify as a valid tax invoice and, if so, will the recipient's VAT number be required on the ticket?</p>	<p>Airlines are governed by an international regulatory body (International Airline Association ("IATA")) in respect of the details that should be contained on a ticket. All carriers have to apply the IATA ticketing standards, which presently do not cater for the inclusion of the VAT registration numbers of the supplier or the customer on the ticket. This factor, and the fact that there are sufficient controls in the industry so that the particulars (if required) may be ascertained by the SARS auditors, it has been decided that:-</p> <ul style="list-style-type: none"> ◆ an air ticket (being the passenger coupon which is the last copy of the ticket retained by the passenger) may be used as a tax invoice if the agent or supplier does not issue a separate tax invoice ; and ◆ <i>as a provisional arrangement</i> the VAT number of the recipient is not required on the air ticket (in instances where the ticket serves as the tax invoice) until an alternative suitable arrangement is decided upon.
<p>6. What is the position where the contract is regarded as a tax invoice in terms of Practice Note 2?</p>	<p>For supplies such as those under an annual lease or insurance contract, the recipient's VAT number need only appear on the contract document (which serves as the tax invoice) for contracts entered into or renewed on or after 1 March 2005.</p>

<p>7. VAT NEWS 21 indicated that the new requirements apply with effect from 1 April 2004. Is this correct?</p>	<ul style="list-style-type: none"> ◆ VATNEWS 21 is incorrect. The new requirements apply to tax invoices, debit or credit notes issued on or after 1 March 2005. ◆ The implementation date was postponed to allow vendors adequate time to effect the necessary system changes and update their customer records. ◆ Although not yet a requirement, vendors are encouraged to obtain their customers' VAT numbers as soon as possible to avoid problems near the implementation date. ◆ Refer to VATNEWS 22, 23 and 24 for further details.
<p>8. What are the most common errors when issuing tax invoices?</p>	<ul style="list-style-type: none"> ◆ Name and address of the purchaser are omitted for tax invoices over R3 000; ◆ The words "VAT invoice" or only "invoice" appear thereon instead of "tax invoice"; ◆ The VAT charged is not shown separately, or contains no statement that VAT is included in the price (and the rate charged); ◆ The trading name and address of the supplier are not stated; and ◆ The supplier's VAT registration number is not stated.
<p>9. Can I find out the VAT numbers of my clients from SARS ?</p>	<ul style="list-style-type: none"> ◆ Yes, you can look up the VAT number of your clients if you have their legal name. Go to:- http://www.sars.gov.za ☞ VAT ☞ VAT vendor search; or http://www.sarsefiling ☞ VAT vendor search ◆ Please note that you must have the exact legal or trading name of your customer as it is recorded on the SARS register, otherwise it might indicate that the record cannot be found. ◆ You may also apply for a limited download of vendor details by registering through the e-filing facility.
<p>10. What happens if I issue a tax invoice without my customer's VAT number on it?</p>	<ul style="list-style-type: none"> ◆ You must issue the tax invoice with all the correct details, including the VAT registration number of your customer, if your customer is a vendor. It is an offence not to do so if the customer has provided the VAT number as required. ◆ Your customer will not be able to claim input tax where the VAT number has been omitted from the tax invoice.
<p>11. What if I sell only to individuals who are not registered for VAT?</p>	<ul style="list-style-type: none"> ◆ The new requirement will not apply and you may issue the tax invoice without the VAT number. ◆ The space on the tax invoice where the customer's VAT number would otherwise be completed may be left blank, or the words "non-vendor" may be inserted.
<p>12. Can I implement the new requirements before 1 March 2005?</p>	<ul style="list-style-type: none"> ◆ Yes, vendors are encouraged to get their systems in order so that they will be in a position to comply with this requirement as soon as possible. ◆ The new requirements will, however, only be enforced by SARS from 1 March 2005.

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<p>13. Can I apply to be exempted from complying with the new requirements, as it creates an unnecessary burden for retailers?</p>	<ul style="list-style-type: none"> ◆ No, all vendors must comply with the requirements and that there will be no exceptions to the rule. ◆ Where the vendor's circumstances are such that he/she will not be capable of complying, will alternative suggestions for complying be considered in this regard.
<p>14. If the supplier has not included my VAT number on the tax invoice, can I complete the details myself?</p>	<ul style="list-style-type: none"> ◆ No, the tax invoice must be returned to the supplier so that it can be corrected. Alternatively, if the tax invoice cannot be corrected, it must be cancelled, a credit note issued, and a new tax invoice issued with all the correct particulars. ◆ If the supplier is not aware of the new requirements for tax invoices, when you raise the issue with the supplier, it will draw attention to the fact that he/she is not complying with the law. This will encourage that person to take the necessary corrective action.