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7 October 2022

To: The South African Revenue Service
Lehae La SARS
299 Bronkhorst Street
PRETORIA
0181

Via email: SARS policycomments@sars.gov.za

RE: SAIT RESPONSE TO CALL FOR COMMENT ON THE VALUE-ADDED TAX TREATMENT OF DEBT COLLECTION

Dear Colleagues,

We appreciate the invitation to comment on this draft interpretation note (**draft IN**), that provides clarity on the VAT treatment of debt collection activities, whether these activities are undertaken by credit providers, in-house or outsourced to external debt collectors.

We further note that the draft IN examines the VAT treatment of the prescribed amounts recovered by the debt collector from the debtor under the Debt Collectors Act 114 of 1998 (**DCA**).

Upon review, we welcome the number of examples that are detailed in the draft IN. We proceed to set out below our comments on the draft IN.

Yours Sincerely,

SAIT Value-Added Tax Technical Work Group

1. Introduction

As outlined above, the draft IN covers several issues relating to the debt collection industry and environment. Our submission below, sets out our analysis of the broad principles, as we understand these as well as specific issues as we have identified these from the draft IN.

2. General Discussion

2.1. The VAT Framework

Input tax is deductible to the extent that it is incurred for the purposes of consumption, use or supply in the course of making taxable supplies. There must accordingly be a link between the input tax claimed and the supply of taxable goods or services.

It is common cause that the direct and immediate link principle does not apply in South African VAT law.

To establish the link between the supply of taxable goods and services and input tax incurred thereon, the point of departure is to identify the taxable and other goods or services supplied by a person. Input tax may then be claimed to the extent that it is linked to the making of taxable supplies of goods or services.

It is common cause that where goods or services are sold/supplied, the direct cost of acquiring such goods or services constitute recoverable input tax incurred in respect of taxable supplies made of such goods or services (direct attribution).

It is further common cause that VAT incurred in the general course of an enterprise making taxable supplies (for example general overhead expenditure) is also deductible being goods or services consumed in the course of making taxable supplies.

It is trite that the provision of credit by a credit provider does not constitute a supply of a debt security to the lender, whether supplied as stand-alone financing or as a credit line together with the supply of goods or services (i.e., retail credit).

Where goods or services are supplied on credit (i.e., retail credit) the supply of the goods or services is taxable, and any interest charged on the credit provided will be consideration for an exempt supply (i.e., the provision of credit). In other words, one supply is made which is taxable in part and exempt in part. Unlike instalment credit agreements where the financier does not make a profit on the goods supplied, but its primary objective is to grant credit so at to realise profits, suppliers who provide goods or services on credit generally seek to make a profit on the goods or services supplied, and charge interest to recover the cost of funding with or without a profit.

Alternatively, where no supply of goods or services is made, but only credit is provided, the entire supply is exempt (i.e., the sole objective is to realise profits on the credit provided).

To apply the above general principles a distinction should be drawn between retail credit and independent loans provided to debtors (for example by a financial institution).

2.2. The supply of retail credit

From a commercial perspective (a test that the courts have consistently applied as of late) the recovery of a debt from a debtor is the final step in concluding and finalising a sales transaction. We are accordingly of the opinion that it cannot be said that the provision of the credit breaks the link with the original taxable supply of goods or services and that the recovery of the debt should therefore be evaluated as a separate supply. We are of the view that this approach does not adequately reflect the commercial reality of selling goods on credit.

In the case where no interest is charged on overdue accounts, we are of the view that there is no link to any potential exempt supply. Where interest is charged on overdue accounts, there may be a link to both the original sale of goods and services and the interest charged when both amounts are being recovered. We are therefore of the view that by linking the recovery entirely to a debt as a separate entity, does not reflect the commercial reality of the transaction.

To summarise, we are of the view that where no interest is charged on a credit line, the recovery costs of the debt are directly linked to the original taxable supply of goods and services and the VAT is fully recoverable as input tax. Where interest is charged, we are of the opinion that VAT recovery fee VAT will be incurred for deal purposes and that apportionment should apply.

2.3. The supply of independent credit

In the case of the supply of independent credit we are of the opinion that section 2(1)(f) read with section 1(a) of the VAT Act will apply i.e., an exempt supply of credit.

If the credit consists of the capital amount, interest, administration or other fees charged, we are of the view that VAT incurred on commission for the recovery of the debt will still be recoverable to the extent that it relates to taxable administration or other charges included in the debt.

3. Specific comments and recommendations relating to the content of the draft IN

3.1. Paragraph 4.1.1 (b) - Supply of debt collection services (Recovery of the prescribed amounts under the Debt Collectors Act)

We agree that the National Credit Act 34 of 2005 (**NCA**) regulates the relationship between a credit provider and a debtor. The credit provider accordingly has the right to recover amounts from the debtor.

Whilst, the DCA regulates the amount that may be recovered from a debtor but does not regulate the commission that the debt collector may charge to a credit provider.

The consideration for the recovery of the debt is the commission that a debt collector charges to a creditor. In practice, the additional amounts that can potentially be recovered from a debtor are often ceded to the debt collector. The debt collector may or may not recover such amounts from a debtor. Under these circumstances it does not form part of the consideration charged for the recovery of the debt, which, by agreement, is only the commission percentage.

We are accordingly of the view that, depending on the nature of the relationship or agreement between the creditor and the debt collector, the recovery of amounts from a debtor in terms of the DCA is not necessarily linked to the consideration for the services supplied to the creditor. In our experience, there are instances where amounts recovered from a debtor in terms of the DCA accrue directly to the debt collector and does not form part of consideration for the recovery of the debt. We are of the view that these amounts are not subject to VAT not being in respect of any services supplied to the debtor or the creditor.

We therefore request that consideration be given to expanding the application of the current proposed interpretation to situations where the recovery from debtors accrue directly to debt collectors, as is often the case in practice.

3.2. Paragraph 4.2.1

We put forward for your consideration that the debt does not arise solely from the provision of credit by the credit provider but primarily as a direct result of the supply of goods or services. The availability of credit is simply a mechanism to ensure the supply of goods and services and as such the link to the original supply of goods or services is not severed by the provision of credit. There is only one supply for VAT purposes, i.e., the supply of goods and services, of which a portion is taxable and a portion is exempt.

Rightly so, we agree that the debt amount consists of the outstanding capital, interest and fees and that the debt collection services relate in his entirety to the collection of the debt. Based on this premise, we respectfully submit that it is not possible to conclude that the recovery of the debt is delinked from the taxable supplies that resulted in the debt and relates to a debt that must be considered separate from the origin and composition of the debt.

In our opinion the commission is earned directly in the recovery of a debt linked to taxable and potentially non-taxable supplies and must therefore be regarded as being incurred in the course of making taxable supplies (to the extent that the recovery includes the recovery of previously made taxable supplies).

We are therefore of the view that your conclusion that the VAT paid in respect of fees paid to debt collectors does not qualify as input tax is not supported by VAT law and principles. Instead, the VAT incurred constitutes input tax to the extent to which it relates to the recovery of the taxable consideration for the goods or services supplied.

We request that you reconsider your interpretation in this regard.

Additionally, we refer to the following extract from which reads as follows:

> *"The debt arises from … supplier that funds the supply of goods and services.* ***In the latter case, the provision of funding is a separate and distinct activity to the original supply of goods or services****."*
> *[Own emphasis]*

We disagree with the view expressed by SARS that there are 2 supplies on day 1.

- One being a taxable supply of goods or services and the other;
- an exempt supply of the provision of credit.

Whilst we agree that interest constitutes exempt income, the argument that a "double supply" occurs on day 1, being a taxable and a non-taxable supply is in our view technically incorrect. From a legal perspective, there is a single supply namely the supply of goods and services. Payment is merely deferred as agreed to between the parties.

This view is supported by Section 22(3) of the VAT Act that reads as follows:

3) Subject to subsection (3A), where a vendor who is required to account for tax payable on an invoice basis in terms of section 15—

(a) has made a deduction of input tax in terms of section 16 (3) in respect of a taxable supply of goods or services made to him; and

(b) has, within a period of 12 months after the expiry of the tax period within which such deduction was made, ***not paid the full consideration in respect of such supply****,*

an amount equal to the tax fraction, as applicable at the time of such deduction, of that portion of the consideration which has not been paid shall be deemed to be tax charged in respect of a taxable supply made in the tax period following the expiry of the period of 12 months: Provided that—

(i) the period of 12 months shall, if any contract in writing in terms of which such supply was made provides for the payment of consideration or any portion thereof to take place after the expiry of the tax period within which such deduction was made, in respect of such consideration or portion be calculated as from the end of the month within which such consideration or portion was payable in terms of that contract;

Section 22(3) of the VAT Act clearly support the contention that the recipient of the goods or services merely pays the **consideration** for the goods or services over a period of time.

The argument of SARS that that there is a separate supply of "credit" being non-taxable that effectively "settles" the original taxable supply contradicts the construct of Section 22(3) of the VAT Act and will effectively make it obsolete.

Also refer to our comments regarding vendors registered on the payments basis and the treatment of VAT on bad debts that further supports this contention.

3.3. Paragraph 4.2.2

We agree with the conclusions reached in this paragraph.

3.4. Paragraph 4.2.3

For the reasons set out under the discussion of paragraph 4.2.1 above, we are of the view that the conclusion reached thereon is not supported by the principles f VAT law.

3.5. Paragraph 5 – Conclusion and reference to the term "credit provider"

We note that the third bullet under the summarised conclusion makes reference to "*Debt collection costs incurred by the creditor*". Whilst we note that the term "credit provider" is used as a reference in the rest of the document.

On the basis that the draft IN applies to debt collection costs incurred by and recovered by a "credit provider", we are of the view that the term "credit provider" is of utmost importance.

To this end, we note that the draft IN is silent on debt collection costs incurred by persons who are not "credit providers" as defined in the draft IN.

The definition of "credit provider" as per the draft IN includes two categories of "credit providers":

"credit provider" *means*

- *a financier (for example, banks or micro-lenders) that provides credit without any underlying supply of goods or services,*
- *or a supplier of goods or services that provides credit to fund the purchase of such supply;*

Upon our reading thereof, we are of the view that the draft IN note is vague as to when a supplier of goods and services will become a "credit provider" as defined. We set out below specific questions in this regard;

- The definition of credit provider is silent on whether interest must be payable or not.

- It is for example uncertain whether a supplier would become a "credit provider" if payment terms are 30 days, 60 days, 90 days or 120 days without the charging of interest.

- The definition is also unclear as respects the period of credit that must be granted before the taxpayer will be deemed to be a "credit provider".
- It is uncertain whether a supplier will become a "credit provider" if the customer does not pay the current account and agrees with the supplier for "payment terms".
  - An example is a municipality that agrees that payment of the outstanding electricity account may be made over 12 months with interest?
    - Would the VAT on the initial debt collection fees be deductible?
    - Would the VAT on subsequent debt collection fees incurred by the municipality then become non-deductible if the customer fails to abide by the payment terms?
  - A further example is Eskom that may agree with a municipality that the electricity account may be settled over time with interest.
    - Would the VAT on the initial debt collection fees be deductible?
    - Would the VAT on subsequent debt collection fees incurred by Eskom then become non-deductible if the municipality fails to abide by the payment terms?
  - Another example is a hospital that agrees with a patient that the cost of a major surgery may be settled with interest over 12 months?

Our initial observation is that uncertainty is created for taxpayers and SARS officials alike due to the vague definition of a "credit provider".

Based on the preposition that an interpretation note is issued to create clarity as to the application of law by SARS, we submit that the vague definition of "credit provider" may potentially create more confusion in law for both SARS officials and the taxpayers.

4. Miscellaneous - Suppliers of Instalment Credit Agreements

4.1. The law

An instalment credit agreement (**ICA**) is defined as follows in section 1 of the VAT Act:

*"**instalment credit agreement**" means any agreement entered into on or after the commencement date whereby any goods consisting of corporeal movable goods or of any machinery or plant, whether movable or immovable—*

*(a) are supplied under a **sale** under which—*

(i) the goods are sold by the seller to the purchaser against payment by the purchaser to the seller of a stated or determinable sum of money at a stated or determinable future date or in whole or in part in instalments over a period in the future; and

(ii) such sum of money includes finance charges stipulated in the agreement of sale; and
(iii) the aggregate of the amounts payable by the purchaser to the seller under such agreement exceeds the cash value of the supply; and
(iv) (aa) the purchaser does not become the owner of those goods merely by virtue of the delivery to or the use, possession or enjoyment by him thereof; or
(bb) the seller is entitled to the return of those goods if the purchaser fails to comply with any term of that agreement; or

*(b) are supplied under a **lease** under which—*
(i) the rent consists of a stated or determinable sum of money payable at a stated or determinable future date or periodically in whole or in part in instalments over a period in the future; and
(ii) such sum of money includes finance charges, including any amount determined with reference to the time value of money, stipulated in the lease; and
(iii) the aggregate of the amounts payable under such lease by the lessee to the lessor for the period of such lease (disregarding the right of any party thereto to terminate the lease before the end of such period) and any residual value of the leased goods on termination of the lease, as stipulated in the lease, exceeds the cash value of the supply; and
(iv) the lessee is entitled to the possession, use or enjoyment of those goods for a period of at least 12 months; and
(v) (aa) the lessee accepts the full risk of destruction or loss of, or other disadvantage to, those goods and assumes all obligations of whatever nature arising in connection with the insurance, maintenance and repair of those goods while the agreement remains in force; or
(bb) (A) the lessor accepts the full risk of destruction or loss of, or other disadvantage to those goods and assumes all obligations of whatever nature arising in connection with the insurance of those goods; and
(B) the lessee accepts the full risk of maintenance and repair of those goods and reimburses the lessor for the insurance of those goods,
while the agreement remains in force;

The time and value of supply of ICA's are governed by sections 9(3)(c) and 10(6) of the VAT Act as outlined below:

Time of supply: (S9(3)(c) of the VAT Act)

where goods are supplied under an instalment credit agreement, that supply shall, … be

- *deemed to take place at the time the goods are delivered or*
- *the time any payment of consideration is received by the supplier in respect of that supply,*

whichever time is earlier;

Value of supply (S10(6) of the VAT Act)

Where goods are supplied under

- *an instalment credit agreement,*
- *the consideration in money for the supply shall*

*be deemed to be the **cash value** of that supply.*

4.2. Application of the law

From a legal perspective, the supplier of an ICA retains legal ownership of the underlying asset. If it were not for the special time and value of supply rules on sections 9(3)(c) and 10(6) of the VAT Act, then VAT would have been payable on the monthly instalment received.

It is indisputable that the supplier of an ICA retains legal ownership of the underlying asset until a future date.

Debt collection costs incurred by the supplier of an ICA are incurred for the following reasons:

- To collect the outstanding capital and interest payments due; and
- To protect the supplier's interest in the underlying movable goods.

Where the internal and outsourced debt collection services reveals that the debtor is unable to pay, the next step will be to repossess the underlying moveable asset.

Repossession is a costly process and application must be made to court to approve the repossession. The records of the debt collector are key evidence in this process. Upon repossession, the ICA provider is entitled to an input tax deduction in terms of par (c) of the definition of input tax in section 1 of the VAT Act.

This definition reads as follows:

> ***"input tax"**, in relation to a vendor, means—*
> *(c) an amount equal to the tax fraction of the consideration in money deemed by section 10 (16) to be for the supply (not being a taxable supply) by a debtor to the vendor of goods **repossessed under an instalment credit agreement or a surrender of goods**: Provided that the tax fraction applicable under this paragraph shall be the tax fraction applicable at the time of supply of the goods to the debtor under such agreement as contemplated in section 9 (3) (c), where the goods or services concerned are acquired by the vendor wholly for the purpose of consumption, use or supply in the course of making taxable supplies or, where the goods or services are acquired by the vendor partly for such purpose, to the extent (as determined in accordance with the provisions of section 17) that the goods or services concerned are acquired by the vendor for such purpose;*

After the asset has been repossessed, the ICA provider will generally sell the asset in the open market and be liable for output VAT thereon.

It follows that the debt collection costs incurred by the supplier of ICA's is not incurred with the sole purpose to collect a debt security. It is incurred at least

partially with the view to protect the underlying moveable goods owned by the taxpayer.

The debt collection costs include the cost of repossession and subsequent taxable sale of the movable goods.

4.3. Recommendation

We are of the view that the draft IN issued by SARS fails to address the specific nature of supplies made by the suppliers of ICA's which we believe is an important aspect that should be within the scope of the IN. Failing which this will create confusion for taxpayers and SARS officials alike.

5. Miscellaneous - Immovable property

5.1. The law

We set out below relevant extracts from the VAT 409 Guide for Fixed Property and Construction which reads as follows:

The general rule for time of supply is the earlier of an invoice being issued or payment of the consideration being made.
However, the supply of fixed property has a special time of supply rule, which is the earlier of –

- *the date of registration of transfer of the property in the Deeds Registry, or*
- *the date on which any payment in respect of the consideration for the supply is made.*

Notwithstanding the special time of supply rule,

- *The supplier of the fixed property will only be required to account for output tax on the supply in the tax period in which payment is received.*
- *The term "payment" in this context means any amount received that has the effect of reducing or discharging the obligation relating to the purchase price.*
- *In other words, the payment received by the supplier must reduce the amount ultimately owed by the purchaser in respect of the purchase price of the property.*
- *Similarly, input tax can be deducted by the recipient to the extent that payment has been made which has the effect of reducing or discharging the obligation relating to the purchase price.*
- *This means that vendors account for the VAT on fixed property supplies only to the extent that payment is made.*

5.2. Application of the law

Where a supply of fixed property is made, the supplier is only liable to account for output VAT as and when payment is received.

Debt collection costs will be incurred where the debtor fails to make payment of the amount due to the credit provider. Only if the debt collector is successful in his/her efforts to collect the cash, then the VAT becomes payable to SARS.

5.3. Application to the draft IN issued by SARS

It follows from the above that the activities of the debt collector in so far as fixed property is concerned, are intrinsically linked to the actual payment of the output VAT.

To deny an input tax deduction on costs that are incurred with at least a 15% intention to pay output VAT to SARS, is in our view not in accordance with the letter or the spirit of the law.

6. Miscellaneous - Vendors registered on the payments basis

6.1. The law

Certain vendors are entitled to be registered on the payments basis. Most notable are municipalities and Associations that are established not for gain. Where a vendor is registered on the payments basis, output VAT is only paid upon receipt of cash and not when an invoice is issued.

We set out below relevant extracts from the VAT 404 Guide issued by SARS, which reads as follows:

"4.3 Payments basis

Under the payments basis (or cash basis) the vendor only accounts for VAT on actual payments made and actual payments received in respect of taxable supplies during the period. The payments basis is intended to help certain types of businesses.
The effect of the payments basis of accounting is that the date to account for VAT is delayed until payment has been made. This does not mean that the time of supply rules set out in section 9 are deferred. A vendor that accounts for VAT on the payment basis of accounting is still required to issue a tax invoice within 21 days of making a taxable supply to the recipient, but is only required to account for and pay any output tax due to SARS to the extent that payment has been received from the recipient. Similarly, any VAT charged to a vendor on goods or services acquired for taxable purposes will only be deductible to the extent that payment has been made by the vendor in respect of the taxable supply.

The payments basis is only available to:

- *Vendors who are natural persons (or partnerships consisting only of natural persons) whose total taxable supplies at the end of a tax period have not exceeded R2,5 million in the previous 12 months, and are not likely to exceed R2,5 million in the next 12 months.*
- *Public authorities, water boards, certain municipal entities, municipalities, associations not for gain and welfare organisations – regardless of the value of taxable supplies.*

- *Vendors who are non-resident suppliers of certain electronic services. (See 2.1.5 for more details in this regard).*
- *Certain vendors that have been allowed to register voluntarily in accordance with section 23(3)(b)(ii) must account for VAT on the payments basis until the R50 000 threshold is met.53*
- *The South African Broadcasting Corporation as contemplated in section 8A of the Broadcasting Act 4 of 1999.54*

Juristic persons (for example, companies) and trust funds do not qualify for the payments basis unless they are the type of entity included in any of those listed above.

6.2. Application of the law

We submit that debt collection costs may be incurred by a vendor that is registered on the payments basis.

If the debt collector is successful in his/her efforts to collect the cash, then the VAT becomes payable to SARS. Conversely, If the debt collector is unsuccessful in his/her efforts to collect the cash, then the VAT will not be payable to SARS.

6.3. Application to the draft IN issued by SARS

It follows from the above that the activities of the debt collector in so far vendors who are registered on the payments basis are concerned, are intrinsically linked to the actual payment of the output VAT to SARS.

To deny an input tax deduction on costs that is incurred with at least a 15% intention to pay output VAT to SARS is in our opinion not in accordance with the letter or the spirit of the law.

We submit that it is in the best interest of SARS that debt collection costs are incurred in order to secure the payment of output VAT to SARS.

7. Miscellaneous - Link between debt collection costs and VAT on bad debts (S22)

The draft IN note does not deal with section 22 of the VAT Act.

- In practice there is a direct link between the efficiency of debt collection activities and the input VAT claim in terms of section 22 of the VAT Act.
- We submit that where a taxpayer incurs costs to minimise losses on which input VAT is claimable, then there is a direct link between the cost incurred and the VATable activities of the Taxpayer.

A taxpayer must prove to SARS that it has exhausted all avenues to collect the outstanding amounts before SARS will allow a section 22 VAT on bad debt claim and/or a section 11(i) income Tax deduction.

Debt collection costs are therefore an inevitable concomitant of running a business where taxable supplies are made and the cash must be collected. This is

evidenced by the insistence by SARS that debt collection activities must be conducted before a Section 22 input tax claim will be allowed.

8. Miscellaneous - Attorney fees

The draft IN states the following:

"This Note does not address debt collection activities outsourced to attorneys."
The reason given is that "Attorneys are currently not regulated by the DCA."

The draft IN deals with the VAT treatment of debt collection from the perspective of the following taxpayers:

1. The perspective of the debt collector.
2. The perspective of the debtor.
3. The perspective of the credit provider.

We agree that the draft IN can exclude the VAT treatment on debt collection income earned by attorneys from the perspective of the debt collector and even from the perspective of the debtor.

It is however uncertain why the draft IN is silent on the VAT treatment of attorney's fees incurred by the credit provider since a significant portion of the debt collection costs incurred by the credit provider would constitute fees charged by attorneys.

The IN states that *"The debt collection that is undertaken in-house by the credit provider to collect the debt (being the outstanding capital, interest and fees), also relates in its entirety to the collection of the debt that is not for purposes of consumption, use or supply in the course of making taxable supplies. Hence, the credit providers likewise cannot deduct the VAT on in-house debt collection costs as input tax."*

Even though the draft IN excludes attorney's fees, it seems that it will by implication be included within the very wide scope of the above statement. The likely implication is that it is SARS views that the cost of attorney's fees will not be claimable by the credit provider.

9. Miscellaneous - Fair and reasonable application of the law

We highlight that the views of SARS in so far as it applies to debt collection costs incurred by a credit provider that makes underlying taxable supplies have not been tested in a court of law and is controversial at best.

Section 3(1) of the Promotion of Administrative Justice Act 3 Of 2000 ("PAJA") states that *"Administrative action which materially and adversely affects the rights or legitimate expectations of any person must be procedurally fair."*

We submit that a taxpayer who collects the proceeds from a taxable supply over e.g., 12 months is now prejudiced compared to a taxpayer who collects the proceeds from a taxable supply on presentation of an invoice.

Once the draft IN is issued, it will become "practice generally prevailing" which in our opinion will discriminate against a supplier of goods or services who provides deferred payment terms.

We agree that in so far as debt collection costs are incurred to collect outstanding interest, that VAT may not be claimed. As such, we submit that the credit provider that makes taxable supplies of goods or services on credit, and earns interest on the outstanding credit, should be subject to the apportionment rules. However, an outright refusal of an input tax deduction without taking cognisance of whether or not the underlying supply is taxable of not is technically incorrect and prejudicial to the credit provider.

10. Concluding remarks

We summarise our above viewpoints in succinct fashion below:

- The present definition of "Credit Provider" is vague and may potentially create uncertainty as to the application thereof.
- The exclusion of the VAT treatment of attorney's fees incurred by a credit provider is an oversight in the scope of the IN, which we believe may create confusion for Taxpayers and SARS officials alike.
- We recommend that the draft IN also address the following supplies:
    - Supplies made under ICA's;
    - Supplies of fixed property where VAT is only payable to SARS as and when payment is made by the debtor; and
    - Supplies made by vendors registered on the payments basis where VAT is only payable to SARS as and when monies are collected from the debtor.
- We also recommend that the draft IN include the application and implications of the link between debt collection costs and VAT claimable on bad debts.
- Upon our reading thereof, we are of the view that the draft IN (in its present form) contradicts the basic principles of VAT legislation where payment of "consideration" is simply made over time and may not necessarily lead to a separate exempt supply being made. For example, the provisions of section 22(3A) of the VAT Act provide that "consideration" can be paid over time.
- Furthermore, we are on the view that the draft IN arbitrarily distinguishes between a supplier of taxable goods/services on credit vis-à-vis suppliers of taxable goods and services payable upon presentation of invoice. This may arguably be a contravention of taxpayer's rights in terms of PAJA.

End.