



# Fundamental Value-Added Tax (“VAT”) Compliance principles

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*YOUR KEY TO THE TAX COMMUNITY*

## **Anchors:**

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Deon completed his Financial management degree through Unisa and since then had a successful career of over 25 years in the VAT and Tax Industry, which includes SARS and some of the Big 4 audit firms. As an associate Director at VAT IT SA, Deon dedicates his time consulting clients with many aspects of VAT and CIT which includes reviews, opinions, rulings, dispute resolutions, training and much more.

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Claudia Steyn completed her Accounting degree through Unisa and is the head of the Tax Compliance division at VAT IT SA. She provides Tax Compliance and consulting services to various corporate clients and has more than 10 years experience in Tax Compliance. Claudia is a registered Tax Practitioner and Associate General Accountant with SAICA. Her day-to-day interactions with SARS and her clients provides her with an in-depth knowledge and expertise to keep abreast of the ever-changing Tax Compliance industry.

## Agenda:

**This session will contain a brief overview of the VAT compliance aspects in respect of the Value-Added Tax (“VAT”) 201 return submission including the following aspects:**

- Important Principles
- Preparation and Submission of the VAT 201 return
- Corrections to the VAT 201 return
- Audits or Verifications
- Payments to SARS

## Important principles:

Vendors are required to submit returns and account for VAT to the South African Revenue Service (“SARS”) according to the tax period allocated them. Available tax periods cover one, two, six or twelve calendar months. It is important to monitor the requirements of the categories and to inform SARS should a change in category be required.

Returns together with payment of the VAT are to be submitted and paid on or before the 25th day of the following month after the end of your tax period. It is important to remember that should the 25th day fall on a Saturday, Sunday or public holiday, the due date will move to the last business day before such 25th day.

Vendors who make use of SARS e-filing and make payment by electronic means have until the last business day of the month after the end of your tax period if you make use of eFiling to submit the return and make payment electronically.(i.e. payment submitted via SARS eFiling or effected by electronic funds transfer (EFT) through internet banking).

For Example, if your tax period ends on 28 February, you have until 25 March to submit the return and payment (or until 31 March if using SARS e-Filing to submit your return and make payment electronically).

***Note: Returns must be submitted by the due date, even if there is no payment required for the tax period concerned.***

Unique 19-digit Payment Reference Number (PRN)'s are generated on each VAT201 return by SARS and this PRN must be used when making your VAT payment to SARS and will be used to track individual payments and queries for that specific tax period only.

A 10% administrative non-compliance penalty will be imposed by SARS on any late payments of VAT. In addition, interest is charged at the prescribed rate on any late payments made after the month in which the payment for the tax period concerned was due.

Requests for Remittance of penalties and interest may be submitted to SARS via SARS E-filing.

Refunds must be paid by SARS within 21 business days of receiving the correctly completed refund return, otherwise interest at the prescribed rate is payable by SARS to the vendor. However, interest is only paid if certain conditions are met. For example, all other tax returns are submitted, banking details are up to date and information requests are responded to timeously in case of a verification, inspection or audit.

Vendors should be in possession of the relevant supporting documents at the time of submitting its returns to SARS and must keep records of all your documentary proof and other records of transactions for at least five years.

SARS must be notified within 21 days of any changes in its registered particulars. For example, changes to business addresses or contact details, changes to the company, banking details, trading name or if the business ceases trading. It is important to note that the changes need to be updated at the Companies and Intellectual Property Commission ("CIPC") as well.

# Preparation and submission of the VAT 201 return

The VAT 201 return contains the details pertaining to your enterprises' activities for a specific tax period, reflecting the VAT charged on supplies and the VAT incurred on purchases. The difference between these amounts will either result in a VAT payment due to SARS or a VAT refund due by SARS.

**Common mistakes made in the Calculation of Output Tax and Import Services section of the VAT 201 return include the following:**

- The supply of capital goods are not differentiated and reflected separately in its relevant fields (field 1A) but included in Standard Rated Supplies (field 1);
- Zero-rated supplies are not split between general goods (field 2) and goods exported (field 2A);
- Exempt and non-supplies (field 3) are often excluded from the returns as it has no VAT effect and often goes undetected. It is important to remember that it is still a obligatory field which needs to be completed;
- Credit notes issued are not included in the relevant field (field 18) but is offset against the standard rated supplies (field 1).

**Common mistakes made in the Calculation of Input Tax section of the VAT 201 return include the following:**

- The supply of general (field 15) and capital goods (field 14) to your business as well as general goods (field 15A) and capital goods (field 14A) imported are not differentiated and reflected separately under the correct fields. Each category needs to be calculated and declared separately including capital goods vs. standard;
- Credit notes received are not included in field 12 but is offset against general goods supplied (field 15).

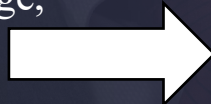
# Corrections to the VAT 201 return

## What if I made an error on my VAT 201 Declaration after it has been submitted to SARS?

A request for correction option (“RFC”) is available on SARS E-filing under on the VAT 201 work page for taxpayers who made an error on their VAT 201 return.

How to access the RFC:

Logon to SARS e-Filing and select:  
Returns  
Returns History  
The applicable type of tax (e.g. VAT)  
The applicable return/declaration.  
Click Open on the far right.  
Once you are on the workpage,  
select Request Correction



**VAT201 WORK PAGE**

Top right: ? Get Adobe FLASH PLAYER Get Adobe READER

<b>Taxpayer Name</b>	<b>eFiling Status</b>
	Filed
<b>Tax Period</b>	
2020/10	
<b>Tax Reference</b>	
4	
<b>Return Type</b>	
VAT201	

Return Type	Status	Date	Declared Amount	Version	Last Updated By
VAT201	Filed through eFiling	2020/11/23	304.35	1	

Query SARS Status **Request For Correction** Request Statement of Account Make Payment Refund Status

Back To Search

## Important things to note in respect of the RFC

- Vendors must submit a completely revised VAT201 Declaration and not just the differences the vendor wishes to revise;
- Taxpayers will only be able to adjust the last version of each declaration;
- Increases in input tax is not available when doing a revision on a past tax period. Taxpayers who have excluded input tax deductions will only be able to include it in its next tax period. It is also important to remember that the deduction will only be allowed if it is still within the five years from the date of entitlement;
- Where a vendor is selected for a verification the RFC should be submitted and details surrounding the corrected return should be included in the verification pack sent to SARS;
- The Request for correction function will not be available where an audit or verification case was completed or a revised declaration was done by a SARS user.
- When a vendor revises a VAT201 Declaration for the second time onwards, the vendor is required to submit supporting documents with the submission of the revised VAT201 Declaration to support the change made to the declaration.

# Audits or verifications

Once your return has been submitted to SARS it is important to monitor your SARS E-filing profile for correspondence from SARS.

SARS generally issues an official letter to notify taxpayers of a verification or audit within a few days from the date of submission.

The letter sets out SARS' request for information and any relevant due dates which must be adhered to.

In addition, a link will be created for taxpayers on SARS E-filing under the relevant tax period where the requested information should be submitted.

### **The difference between a verification and an audit**

Being selected for an audit or verification is two different processes.

Audits are by its nature a more extensive process than a verification. While SARS endeavours to finalise its verifications or audits within 21 business days from the date it receives the information requested, audits could take up to 12 months, or even longer, depending on the complexity of the matter, the volumes of transactions involved and the level of co-operation by the taxpayer.

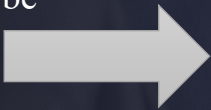
When uploading supporting documents via SARS E-filing the maximum size per document allowed is 5MB and no more than 20 files may be uploaded.

In addition, only the following file types will be accepted by SARS: .pdf, .doc, .docx, .xls, .xlsx, .jpg and .gif

Additional supporting documents can be uploaded via the SARS website link:

<https://www.sars.gov.za/contact-us/send-us-a-query/>

under the option: Submit supporting documents. Click here to submit your supporting documents, where the following page will be displayed



Vendors should use the case number on the audit/verification letter received from SARS to ensure that the correct department receives the information.

The screenshot shows the SARS Supporting Document Upload form. At the top, the SARS logo and 'South African Revenue Service' are on the left, and the title 'Supporting Document Upload' is on the right. The form is divided into several sections. The first section contains a 'Query Type' dropdown menu set to 'Supporting Document Upload' and a 'Case No.' text input field. The second section contains personal details: 'Title' (dropdown with 'Ms' selected), 'Name' (text input), 'Surname' (text input), 'Trading Name' (text input), 'Email' (text input), 'Mobile' (text input), 'Initials' (text input), and 'Telephone' (text input). The third section contains tax-related details: 'Tax Type' (dropdown with 'Income Tax' selected), 'ID Type' (dropdown with 'South African ID Number' selected), 'Tax No.' (text input), and 'ID No.' (text input). The fourth section is a 'Notes' text area. At the bottom, there are three buttons: 'Submit', 'Documents (0)', and 'Reset'.

# Payments to SARS

A unique PRN is generated for each tax period on the VAT 201 declaration and should be used when making VAT payments to SARS.

Incorrect PRN's can lead to the misallocation of payments and possible penalties or interest incorrectly being levied on the vendors statement of account by the system.

The following payment methods are available for vendors:

1. eFiling;
2. Approved banking institution; or
3. EFT.

For detailed information on payment rules and methods, please refer to the SARS Payment Rules External Guide on [www.sars.gov.za](http://www.sars.gov.za).

### **What if I used an incorrect payment reference number or made an overpayment?**

Any overpayments or payments made using the incorrect payment reference number will generally be separately identified on the SARS statement of account as an “unallocated” payment together with the applicable PRN.

Vendors may request these unallocated payments to be allocated to unpaid declarations for such amount via SARS e-filing under the VAT Maintenance Tab which is found under the return page. In instances where a refund is requested, SARS generally requires proof of payments and updated banking details before the refund will be paid out.



Thank you