



24 June 2025

To: The South African Revenue Service

Lehae La SARS
299 Bronkhorst Street
PRETORIA
0181

Via email: SARS policycomments@sars.gov.za

**RE: SAIT SUBMISSION_DRAFT BINDING GENERAL RULING 4 (ISSUE 4) –
APPORTIONMENT METHODOLOGY TO BE APPLIED BY A MUNICIPALITY**

Dear Colleagues,

We wish to provide commentary on BGR 4. Based on our interpretation and reading, BGR4 (Issue 4) outlines the apportionment method that a municipality is required to use to determine the ratio contemplated in section 17(1) for calculating the amount of VAT that may be deducted as input tax on mixed expenses.

We have canvassed the BGR4 (Issue 4) with our members as well as with our VAT Technical Industry Work Group. While some participants have had limited exposure to the issue, we have engaged meaningfully with the relevant material, and the views expressed herein reflect the insights and perspectives shared during these discussions/ engagements.

Please find below our commentary for your review.

Reference	Commentary	Recommendation
A1 (Page 4 and 11)	Reference to E11 in heading is incorrect and should be E9	We recommend that this be rectified prior to finalisation.
A1	The inclusion of gross debtor interest may be distortive as it may amount to a significant apportionment ratio percentage impact considering the debt recovery rate at municipalities. Based on our reading the inclusion is not proportionate to the effort or expenses incurred for generating such interest.	We recommend that this be rectified prior to finalisation.
A2	What would the treatment be if the amount received is not necessarily a dividend by perhaps profit share from a joint venture interest.	We recommend that this adjustment be expanded to make provision for these instances too.

A2 read with A3 in Annexure A	What are the implications when dividends are received for the first time? In this context it may not be practical to approach the Commissioner for a Ruling in this circumstance, particularly given that Ruling addresses all other income streams.	We recommend that the Ruling takes into account that entities may start to receive dividends for the first time and determine an appropriate limitation for such activities. The reality is that including the full amount of dividends remains distortive and dividends are usually received so close to the financial year-end that this is not a practical measure as the Ruling currently stands. We therefore recommend that this should be addressed.
E1	The inclusion of forex gains or losses because of hedging must be carefully considered and the impact it has on the apportionment ratio. It appears somewhat inconsistent for SARS to exclude it when it relates to a taxable transaction yet include it when it relates to hedging and include in C. Given the nature of hedging activity, it may be more appropriate for SARS to consider its inclusion in order to reflect the underlying economic reality.	We recommend and agrees that this inclusion must (should) be proportionate and definitely not the full amount.
N2	The inclusion of gross traffic fines and other non-taxable income must be carefully considered as these amounts may could potentially distort the formula.	We recommend that consideration be given to limit this by applying an appropriate proxy.
N8	How should the situation be treated where an annual adjustment is not required? This requirement is vague and leans itself to multiple interpretations. E.g. if no annual adjustment is required, the information does not have to be submitted.	We recommend that this statement be reworded to make it clear whether the information is required always.
Paragraph 6 (Transitional rules)	The date for submission of withdrawal requests refer to the end of financial years commencing on/after 1 April 2025 which is inconsistent with the intended effective date.	We request that you consider whether this is correct and whether is in fact SARS' intention.

Concluding remarks

We appreciate the opportunity to engage with you on this draft document and remain at your disposal for purposes of and prior to finalisation.

Please do not hesitate to contact us should you require any further information or examples hereof.



Yours Sincerely,
SAIT VAT Technical Workgroup

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