

South Africa VAT

A tax professional's essential guide to calculating, reporting and paying indirect taxes in South Africa

Introducing VAT in South Africa..

South Africa introduced VAT in 1991. It was initially imposed at a statutory rate of 10% and later increased to 14% in 1993 in an effort to drive a reliable and significant revenue for South Africa's government.

South Africa's rates remained unchanged for an impressive 15 years. As the government sought to increase tax revenue in more recent times, the country's VAT rate was increased from 14% to 15% in 2018 - still significantly lower than the global average rate of between 20% to 25%.

In March 2020, the South African Revenue service announced that the import of certain essentials goods would be fully exempt from VAT due to the impact of Covid-19 Pandemic (don't worry, we've explored this in more detail below).

Today, South Africa's VAT system is viewed as one of the world's most progressive - and it is one of just three African countries to have digitalised tax.

This infographic aims to guide you through VAT in South Africa. We hope you enjoy!

What VAT rates apply?

Businesses buying or selling goods or services must pay VAT at the standard rate alongside other 0% options:

15%	Standard e.g. most goods and services
0%	Zero-rated e.g. basic food items, certain gold coins
N/A	Exempt e.g. financial services, education services

Exemptions

Prior to the pandemic the following goods and services were exempt from VAT in South Africa:



Due to the pandemic, South Africa added VAT relief on the importation of essential goods. The introduction of these exempted goods and services fell into five categories and remains in place today:



Digital services

South Africa was one of the first countries to impose a requirement for non-resident providers of digital services to register for VAT.

This means all businesses selling digital services to South African consumers must register with the South African Revenue Service and charge and collect local VAT at 15%.

Since South Africa imposed the following requirement, many countries have followed its lead, including the likes of Mexico.

Taxable digital services in South Africa include:

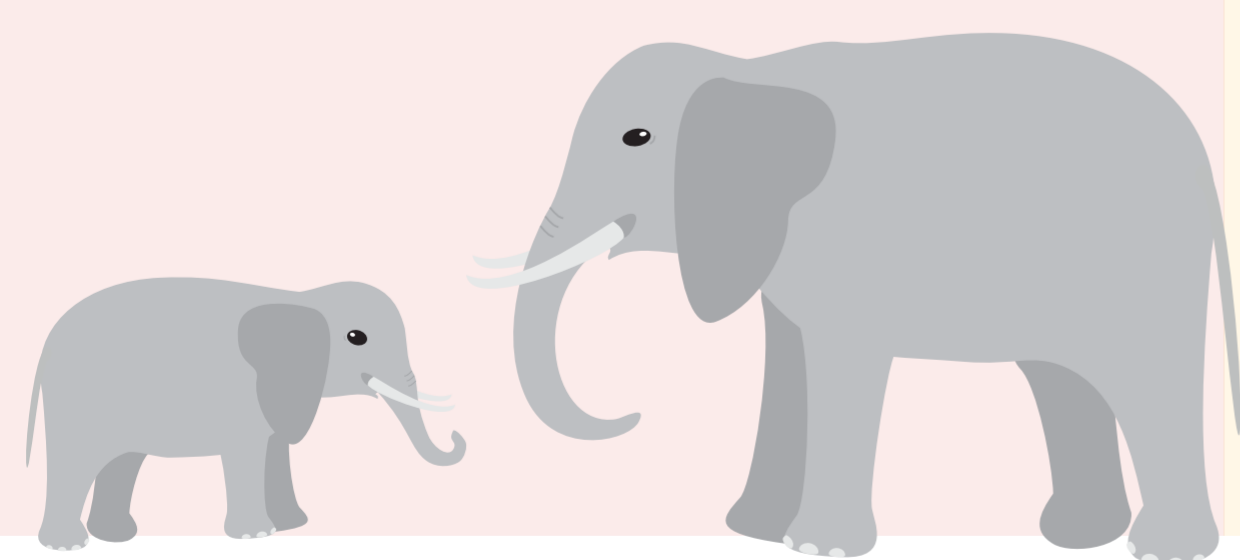


VAT returns

Every business that has a South African VAT number must submit periodic VAT returns.

These VAT returns must:

- 1 Detail all taxable supplies (sales) and inputs (costs).
- 2 Be made monthly (if turnover is greater than ZAR 30m) or four-monthly (if less than ZAR 15m). Businesses with turnover between these figures must submit bi-monthly.
- 3 Detail any VAT liability that must be settled by the return deadline (25th of the month following the period end).



Registering for VAT

Every business supplying goods or services with a turnover of more than ZAR 1m must register for VAT and charge output VAT.

Other companies may opt to register for VAT, providing their turnover is over ZAR 50,000.

There are two exceptions to this:

Non-resident suppliers of electronic services must register for VAT once the value of supplies made reaches ZAR 50,000.

R50,000

VAT

Businesses likely to make taxable supplies only after a period of time has elapsed may register for VAT providing the nature of their business is set out in regulations.

The expert's view..

South Africa's VAT regime has progressed greatly in recent years. After only minor changes to its VAT system for nearly two decades, South Africa has made more significant updates and is rapidly catching up with some of the world's most sophisticated VAT systems.

As such, it's more important than ever before to comply with all its rules and regulations.

Many VAT insiders have praised South Africa for developing one of the most modern tax systems of any of Africa's 54 countries.

With the growth of digital services over the last two decades, South Africa has moved to encourage other countries to follow its lead on the introduction of VAT on digital services - which it imposed in 2014.

Significant tax relief was implemented in 2020 on many imported goods and services to help the country overcome the impact of the pandemic, shifting South Africa's tax landscape once more. If nothing else, it has proven the unpredictability of the tax climate and highlighted the importance to businesses of staying up to date with rules, regulations and rate changes that come in to play.

As we always emphasise, the best building blocks for a successful tax set-up are to ensure you have clean and accurate data at source.

As a result, we highly encourage businesses to invest in an automated VAT solution that is built for the long term. Our fully automated, pre-built solution for South Africa does just that and has been implemented for many of our clients operating in various industry sectors.



Lizzie Widdicks
Alteryx Commercial Lead, Innovate Tax