

WHEN DO YOU BECOME A VENDOR?

The Value-Added Tax Act obliges you to apply for registration as a vendor in two instances:

1. Firstly, at the end of any particular month, where, in the preceding period of 12 months, your turnover, or taxable supplies, exceeded R1 million.
2. Secondly, at the commencement of any month, where you anticipate that you are contractually obliged, in terms of a written contract, to supply goods or services, which will exceed R1 million in the following 12 months.

In order to become a VAT vendor, your application must be in the form as prescribed by SARS, which will include completion and delivery of the prescribed application form and supporting documentation. Please check SARS website for the latest requirements.

SARS will evaluate your application, and inform you whether or not your application has been successful. Where the application is successful, SARS will also inform you that you will be a vendor from the particular date, determined by SARS.

From that date, you must comply with the provisions of the Value-Added Tax Act, such as issuing valid tax invoices, and submitting a VAT return, on the prescribed dates for the prescribed period. Failure to submit returns in time can result in penalties, and failure to pay VAT owed to SARS on time can result in interest charges.

Can SARS hold you liable for VAT prior to your registration date? The simple answer is: No! Prior to that date, your turnover cannot be subject to VAT, as you were not a registered vendor. You are only obliged to levy VAT, from the date of registration as a vendor. SARS may attempt to claim VAT on turnover prior to registration as a vendor (often using the application date from which they attempt to claim VAT from you) - but this is incorrect.

Make sure that you clearly understand the dates, and prescribed application procedures for registration as a vendor. And if you have any difficulties, Alan can assist you. He has successfully challenged SARS in a case where they tried to insist that a taxpayer was liable for VAT before registration as a vendor



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