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Sars gives window for VAT increase reversals

Fiscal framework goes back to drawing board

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The SA Revenue Service has given businesses and service providers a two-week window to reverse the 15.5% VAT charge.

The new May 15 deadline comes as thousands of companies and suppliers that have already incorporated the 0.5 percentage point increase scramble to reverse it.

Businesses including banks, cellphone companies and other service providers have already sent notices to thousands of customers informing them of the higher VAT charge kicking in on May 1.

However, with finance minister Enoch Godongwana reversing the increase as a result of political pressure, these businesses are now under pressure to readjust their billing systems back to 15% VAT.

On Friday, Sars commissioner Edward Kieswetter noted that the decision to reverse the hike had "significant practical implications for VAT vendors and consumers".

He advised businesses and service providers that had already incorporated the 15.5% rate to use the limited time between now and May 1 to readjust their systems — and to report their progress to the revenue service. Companies that cannot do this immediately have a three-week window to reset their systems to 15% VAT.

"Should a vendor not be able to revert to the 15% rate, such supplies and purchases must be reported and accounted for at the 15.5% rate until such time that you are able to make the necessary system adjustments, which should be completed by no later than May 15," Kieswetter said.

Businesses that cannot immediately revert to 15% must report refunds to Sars when they file their VAT returns.

"The VAT return declarations made will then be taken into consideration when verifications and/or audits on affected VAT tax periods are conducted.

"Sars will do its best to provide further clarity for vendors," Kieswetter said.

Businesses approached were confident they would be able to reset their systems or reimburse customers if they couldn't do so on time.

Sizwekazi Mdingi, FNB's head of communications, said the bank would comply with all the legal and regulatory structures.

"Where fees have been incurred through automated processes, the bank will fully refund affected customers. We will be communicating with all customers in this regard," Mdingi said.

A Nedbank spokesperson said: "We are implementing the VAT change rollback on our systems ... and any discrepancies will be rectified accordingly."

Standard Bank spokesperson Ross Linstrom said the group would continue applying the 15% VAT rate.

Absa said that in cases where systems were not adjusted back in time, affected customers would be reimbursed.

Pay TV operator MultiChoice said DStv would no longer be implementing the increase.

Insurance company Outsurance said: "We have already communicated to our clients that their premium remains unaffected."

Discovery Group's Derek Wilcocks said the sudden reversal had a minor effect on internal processes, but they had been able to update their systems.

Pick n Pay said it would ensure all products were taxed at 15%.

Spar Group's Gerhard Ackermann said the retailer was continuing with its pricing structures as per the existing regulations.

Consumer Goods Council CEO Zinhle Tyikwe said compliance readiness came at a huge cost to businesses that had been working to apply the VAT increase.

South African Institute of Taxation tax specialist Keitumetse Sesana said the reversal was good news for businesses, as many were considering absorbing the increase to cushion consumers.

Finance minister Enoch Godongwana has tabled the Rates and Monetary Amounts and Amendment of Revenue Laws Bill, which legislates tax rates and is the first step towards reversing his earlier decision.

He has also withdrawn the Appropriations Bill and the Division of Revenue Bill, but has yet to present a new fiscal framework and retable both these measures.

The minister must now go back to parliament with a new report to change the fiscal framework, said Nontobeko Mbava, chair of the Financial and Fiscal Commission — the statutory body advising the government on fiscal matters.

"The National Assembly must sit again, receive the new report and adopt it through a vote. So it will be another process," she said.

BACKTRACKING: Finance minister Enoch Godongwana has bowed to national pressure and reversed the VAT increase — and now SA's commercial world is scrambling to turn back the tide. Picture: GALLO IMAGES/ BRENTON GEACH

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