

CHAPTER 10

EXPORTS AND IMPORTS

10.1 EXPORTS

In order to determine the correct rate of VAT to be applied on the export of movable goods, it must first be determined whether the export of such goods will be a '**direct**' or an '**indirect**' export. In the case of direct exports, and in certain cases on indirect exports, the zero rate may apply.

A **direct export** is where the supplying vendor ("the supplier") consigns or delivers movable goods to a client at an address in an export country. The supplier is in control of the export and the zero rate of VAT will apply if the requirements stipulated in Interpretation Note No. 30 (Issue 2) dated 15 March 2006 have been met.

An **indirect export** is where the recipient from an export country removes or arranges for the removal and transport of movable goods purchased in the RSA to an address in an export country, in which case the supplier must levy VAT at the standard rate of 14%, and the recipient may claim a refund from the VAT Refund Administrator ("VRA"), provided that the recipient is a "qualifying purchaser". Refer to paragraph 10.1.2 for further details. Indirect exports are regulated by the VAT Export Incentive Scheme ("the Scheme") which came into effect on 16 November 1998. In terms of Part 2 of the Scheme the supplier may, in certain circumstances, elect to supply movable goods to a qualifying purchaser at the zero rate, where the supplier is able to **ensure** that the goods are delivered to a "designated commercial port" from where those goods will be exported by the qualifying purchaser. It is up to the supplier whether to apply the zero rate in terms of Part 2 of the Scheme, or to apply the standard rate.

For both direct and indirect exports, the exportation must take place through designated commercial ports.

The **42 designated commercial ports** are as follows:

(a) Land Border Posts

Country	Commercial port
<i>Zimbabwe</i>	: Beit Bridge;
<i>Mozambique</i>	: Lebombo;
<i>Namibia</i>	: Vioolsdrift; Nakop/Narogas;
<i>Botswana</i>	: Ramatlabama; Skilpadshek; Groblers Bridge; Kopfontein;
<i>Lesotho</i>	: Caledonspoor; Ficksburg Bridge; Maseru Bridge; Van Rooyenshek; Qacha's Nek;
<i>Swaziland</i>	: Jeppes Reef; Mananga; Mahamba; Nerston; Golela and Oshoek.

(b) International Airports

Bloemfontein; Cape Town; Durban; OR Tambo (Johannesburg); Gateway (Polokwane); Lanseria; Kruger Mpumalanga; Pilansberg; Port Elizabeth and Upington.

(c) Harbours

Cape Town; Durban; East London; Mossel Bay; Port Elizabeth; Richards Bay and Saldanha.

(d) Railway Stations

Germiston; Golela; Johannesburg; Maseru Bridge; Mafikeng and Upington.

10.1.1 Direct Exports

To apply the zero rate the supplier must either:

- physically deliver the goods to the recipient in an export country ("deliver"); or
- obtain the services of a cartage contractor who is contractually obliged to deliver the goods to the recipient in an export country ("consign").

Where the supplier consigns the goods, the cartage contractor must be a registered vendor whose main activity is the transportation of goods. Furthermore, the cartage contractor must invoice the supplying vendor as the person who is liable to the contractor for the payment of the full costs of the delivery.

The **documentary requirements** whether consigned or delivered by the supplier are:

- The supplier's copy of the zero-rated tax invoice;
- The recipient's order or a contract between both parties;
- Export documentation as prescribed in terms of the Customs and Excise Act (i.e. CCA1, DA550 or SAD); and
- Proof of payment.

Proof that the movable goods have been received by the recipient in the export country is required where the supplier delivers the goods, or consignment is by road. In addition, where a cartage contractor conveys the goods to the export country on behalf of the supplier, a copy of the relevant transport documentation is required.

Refer to Interpretation Note No. 30 (Issue 2) on the SARS website for the detailed requirements.

10.1.2 Indirect Exports

In the case of indirect exports, the supplier will charge VAT at the standard rate, unless the supplier has elected to apply the zero rate in terms of Part 2 of the Scheme. Where VAT at 14% has been charged, the recipient may apply to the VRA for a VAT refund. The VRA has a presence at the OR Tambo (Johannesburg), Durban and Cape Town International Airports, various land border posts and designated commercial harbours.

Contact details for the VRA's Head Office are as follows:

The VAT Refund Administrator
 PO Box 107
 OR Tambo (Johannesburg) International Airport Post Office
 South Africa
 1627

Telephone: 27 11 394-1117
 Facsimile : 27 11 394-1430
 E-mail : info@taxrefunds.co.za
 Website : www.taxrefunds.co.za

A VAT **refund** will only be considered where all of the following requirements are met:

- The purchaser must be a **qualifying purchaser** (i.e. a tourist, non-resident, foreign enterprise or a departing foreign diplomat);
- The goods must be **exported within 90 days** from the date of the tax invoice;
- The VAT inclusive total of all **purchases exported at one time must exceed the minimum of R250**; and
- The request for a refund together with the relevant documentation must be **received by the VRA within 3 months of date of export**.

The qualifying purchaser or the cartage contractor must ensure that the goods are exported through one of the 42 designated commercial ports. Where the qualifying purchaser exports the goods, they must first be declared to a SARS Customs Official at that exit point, before approaching the VRA for a refund. Where the goods are not kept as hand luggage, the tax invoice must be endorsed by the SARS Customs Official and be presented to the VRA for a refund, or handed in to a SARS Customs Official before departure from the RSA. If the goods are exported via a designated commercial port where no VRA is present, the qualifying purchaser must apply for a refund to the VRA in writing. This also applies in the case where the qualifying purchaser's cartage contractor exports the goods.

The **documentary requirements** in these circumstances are:

- The original tax invoice;
- A copy of the qualifying purchaser's passport;
- A copy of the invoice issued to the qualifying purchaser by his cartage contractor (where applicable); and
- Proof that the qualifying purchaser declared the importation of the goods for customs purposes in the export country.

Where the tax invoice has been endorsed at a designated commercial port where the VRA is not present, the following **additional documentation** must be submitted:

- A copy of the export documentation prescribed under the Customs and Excise Act, bearing an original RSA Customs and Excise endorsement; and
- A copy of the relevant transport documentation in order to prove that delivery has taken place in the export country.

Where the supplier **elects to apply the zero rate in terms of Part 2 of the Scheme**, the following documentation must be kept:

- o The supplier's copy of the zero-rated tax invoice;
- o The recipient's order or a contract between both parties;
- o The applicable prescribed export documentation obtained from the recipient (e.g. CCA1, DA 550, SAD, etc)
- o A copy of the qualifying purchaser's passport or trading license; and
- o Proof of payment.

In this case, as with direct exports, the supplier accepts the responsibility of obtaining the documentary proof of export. Note that the supplier may not elect to apply the zero rate in terms of Part 2 of the Scheme where the goods are to be exported by road or rail.

Refer to the VAT Export Incentive Scheme on the SARS website or the VRA Pamphlet which is available from all of South Africa's International Airports.

10.1.3 Second-Hand Goods

(a) Direct Exports

The zero rate cannot apply where second-hand goods are acquired by the supplier and then exported after a notional input tax deduction has been claimed thereon (refer to Chapter 7).

In such a case, the supplier must levy VAT equal to the notional input tax deduction originally claimed on the acquisition of the goods now being exported. The VAT declared by the supplier is not refundable to the recipient whether the amount was included in the final price of the goods charged to the recipient or not.

Note that where second-hand goods are acquired from a registered vendor under a taxable supply, a notional input tax is not claimed, but rather a normal input tax credit supported by a tax invoice. In this case the normal rules apply and the subsequent export of those second-hand goods may be subject to VAT at the zero rate.

Example: Direct export (Second-hand goods)

Smart Gallery buys a second-hand painting for R11 400 from a non-vendor and claims a notional input tax credit of R1 400 (R11 400 x 14/114). Smart Gallery sells the painting to Mr M from Botswana for R15 786 and delivers it to his address in Botswana. The locally advertised price is R16 400 (including R2 014 VAT).

The calculation of the selling price is as follows:

Selling price excluding VAT	R14 386
Add back notional input tax claimed	<u>R 1 400</u>
Selling price including VAT	<u>R15 786</u>

VAT levied at the standard rate is equal to the amount of notional input tax claimed. The tax invoice issued to the client must either show that VAT of R1 400 has been charged or that the selling price includes VAT of R1 400.

Mr M is not entitled to a refund of the R1 400 VAT charged.

(b) Indirect Exports

VAT is levied at the standard rate on the indirect export of goods. Where second-hand movable goods are exported, and a notional input has been claimed by the seller on the acquisition of those goods, the VRA may not refund the amount of the notional input to the purchaser.

For example, where a non-resident purchases a second-hand motor vehicle from a motor car dealer in South Africa, that non-resident will only be able to claim a refund to the extent that the VAT charged exceeds the amount of notional input tax claimed by the dealer.

Where the second-hand goods exported were originally acquired from another registered vendor and a normal input tax credit supported by a tax invoice was claimed, the full amount of VAT charged may be refunded (less the VRA's commission), as the supplier would not have claimed a notional input tax credit on the acquisition on those second-hand goods.

Example: Indirect export (Second-hand goods)

Assume the same facts as in the previous example, except that Mr M collects the painting in the RSA and exports it himself. (Price advertised: R16 400 including R2 014 VAT).

To assist Mr M to obtain his refund at the time of export, from the VRA, the tax invoice should show the following:

Selling Price excluding VAT	R14 386
VAT @ 14%	R 2 014
Selling price including VAT	R16 400

VAT Refund

Total VAT	R 2 014
<u>Less notional input claimed</u>	<u>R 1 400</u>
VAT refundable	<u>R 614</u>

The tax invoice must contain a full and proper description of the goods or services supplied (indicating, where applicable, that the goods are second-hand goods).

A refund will not be authorised if these details are not clearly indicated on the face of the tax invoice.

Only the VAT in excess of the notional input tax claimed can be refunded by the VRA, (i.e. R614 less the VRA's commission), whereas the portion of the VAT equal to the notional input tax credit claimed (R1 400) is not refundable.

10.2 IMPORTATION OF GOODS**10.2.1 General**

If goods are purchased from another country, VAT is payable when the goods are imported into the RSA. Goods may only be imported through one of the 42 designated commercial ports (as listed under paragraph 10.1 above). The VAT paid on goods imported by a vendor in the course of conducting an enterprise may be claimed as an input tax deduction.

The vendor must hold a valid bill of entry (SARS Customs declaration forms DA500, CCA1 or SAD), together with the receipt for the VAT paid on importation of goods for use in the course of making taxable supplies before being able to claim input tax thereon (*Refer to Chapter 7*). SARS customs officers control the entry of goods into the country, and goods will not be released before they have been declared and any customs and/or excise duties (if any) as well as VAT has been paid thereon.

Regular importers or their clearing agents can enquire about obtaining access to a VAT Deferment Account at SARS Customs Branch Offices. This account allows the importer a credit facility with SARS for the customs duty and VAT payable on the importation of goods into the RSA. Application for this facility can be done by completing forms DA650 (registration particulars of applicant) and DA652 (agreement between the applicant and SARS). A bank guarantee or surety must be lodged, the amount of which will be based on the inherent risks of the business and type of goods to be imported.

10.2.2 Imports from countries other than Botswana, Lesotho, Namibia and Swaziland ("the BLNS countries")

The BLNS countries together with RSA form the Southern African Customs Union (SACU). The effect thereof is that where goods are imported from **outside the SACU region**, (i.e. from non-BLNS countries), VAT, customs duty and in some cases, excise duty is payable on the goods being imported, and is calculated as follows:

$$\begin{aligned}
 & \text{Purchase price of goods/Customs value (CV)} \\
 & + \text{Customs duty (and Excise duty) if applicable (non-rebated duties)} \\
 & + \text{10\% of the customs value} \\
 & = \text{Added Tax Value (ATV)}
 \end{aligned}$$

$$\text{ATV X 14\% = VAT payable}$$