



## **VAT – General Training Manual**

<b>Document Summary</b>	
<b>Product Owner / Author</b>	Tanja Badenhorst
<b>Date</b>	2023/10/31

<b>Tabel of content</b>		<b>Pages</b>
1.	<b>Introduction.....</b>	<b>1</b>
2.	<b>Important definitions and abbreviations.....</b>	<b>1</b>
3.	<b>Revenue Streams.....</b>	<b>2</b>
4.	<b>Sponsorship Income vs Donation Income.....</b>	<b>3</b>
5.	<b>VAT Classification types.....</b>	<b>3</b>
6.	<b>VAT Apportionment and VAT principles.....</b>	<b>4</b>
7.	<b>VAT treatment on KFS.....</b>	<b>7</b>
8.	<b>VAT on Invoices (Income).....</b>	<b>13</b>
8.1	<b>The treatment of VAT when a receipt is allocated directly to income object instead of outstanding debtor.....</b>	<b>15</b>
8.2	<b>Effect of VAT on the write-off of Invoices and Credit memo's</b>	<b>16</b>
9.	<b>Requirements for a Valid Tax-Invoice.....</b>	<b>17</b>
10.	<b>Import VAT.....</b>	<b>19</b>
11.	<b>Foreign Electronic Services.....</b>	<b>25</b>
11.1	<b>The vendor is not registered for VAT in SA.....</b>	<b>25</b>
11.2	<b>The vendor is registered for VAT in SA.....</b>	<b>26</b>
12.	<b>Research Collaboration and Sub-contracting.....</b>	<b>28</b>
13.	<b>Insurance claims regarding NWU vehicles and Rental Vehicles.....</b>	<b>29</b>

---

## 1. Introduction

The Value Added Tax Act, 89 of 1991, levies Value Added Tax (VAT) on the sales of goods and services rendered and the importation of goods into the Republic of South Africa, as stated in section 7 of the Act. There is an exception in the Act that exempt certain goods and services from VAT and no VAT is charged nor may it be claimed on these goods. As of 1 April 2018, an amendment was made to the VAT rate to 15%. VAT may not be withheld when payment is made to a supplier

## 2. Important definitions and abbreviations

- **Enterprise** – Enterprise is defined as any enterprise or activity which is carried on continuously or regularly by any person in South Africa and in the course or furtherance of which goods or services are supplied to any other person for consideration, irrespective of whether or not profits are derived from it.
- **Supply** – is defined in the VAT Act as including performance in terms of a sale, rental agreement, instalment credit agreement and all other forms of supply, whether voluntary, compulsory or by operation of law, irrespective of where the supply is affected, and any derivative of supply is construed accordingly. For VAT purposes, all supplies are treated as either being a standard-rated supply, a zero-rated supply, or an exempt supply. Supplies that are standard rated or zero-rated are considered to be taxable supplies as defined. Standard rate supplies are supplies that are subject to VAT at the prescribed rate of 15%.
- **Vendor** – A Vendor is defined as any person who is or is required to be registered under the VAT Act.
- **Output VAT** – Output VAT is essentially defined as VAT payable by a Vendor on the supply of goods or services by such Vendor - VAT payable on income received.
- **Input VAT** – Any VAT charged to a Vendor by another Vendor relating to the supply of goods or services by the supplier to the recipient. This includes VAT paid to Customs and Excise on the importation of goods into SA by a Vendor – Input VAT is therefore VAT that can be claimed on relevant expenses.
- **VAT** – Value Added Tax
- **SARS** – South African Revenue Services
- **VCR** – VAT Class Ruling
- **KFS** – Kuali Financial System
- **GL** – General Ledger
- **DI** – Distribution of Income and Expense
- **YEDI** – Year-end Distribution of Income and Expense
- **GEC** – General Error Correction
- **YEGEC** – Year-end General Error Correction
- **RJV** – Journal Voucher
- **SB** – Service Billing

VAT is levied on all supplies of goods and services in accordance with an Act of the State known as the Value Added Tax Act.

Any person that carries on any enterprise will under certain circumstances be liable to register for VAT. Once registered, the levying of VAT becomes compulsory on all supplies made by such a person.

VAT paid on expenses may, under certain circumstances, be deducted from the Output tax levied, and only the difference is payable to SARS

At the end of each tax period, the vendor will be liable to submit a return to SARS, calculating the Output- and Input Tax and paying the difference to SARS. Where Input Tax exceeds Output Tax, the difference will be refunded to the vendor

VAT is levied at a rate of 15% (before 1 April 2018 @ 14%) and is known as the standard rate of VAT.

Under certain circumstances, VAT may be charged at the zero rate which means that the transaction is taxable but at the rate of 0%. In effect, VAT is charged at 0%, but the input tax paid may still be claimed. The last category is exempt supplies, which attracts no VAT as it is seen as not being a taxable supply.

### **3. Revenue Streams**

In a University environment different income sources are applicable, including:

- Tuition fees
- Board and Lodging
- Meals provided to students
- Research
- Consulting Services
- Government grants and subsidies
- Third-party lettings
- Supply of other goods and services

There are three types of supplies:

- **Taxable Supplies** – All supplies made by a vendor in the course or furtherance of an enterprise on which VAT should be levied at the standard rate or the zero rate – examples include contract research, supplies by sport clubs, third-party rentals, vacation accommodation, services to non-residents.
- **Exempt Supplies** – Supplies of goods or services not regarded as enterprise activities and where no VAT is levied – examples include Tuition fees, any supplies incidental to education, board and lodging of students, transport, and interest.
- **Out-of-scope supplies** – These are supplies which fall out of the scope of VAT and are not subject to VAT; examples are dividends and donations.

#### **Types of Income**

- **Exempt income – 0%**  
No output VAT is applicable on income and no input VAT may be claimed on expenses incurred.  
Examples of exempt income include the following:
  - Tuition Fees
  - Board and lodging of students
  - Donations
- **Zero-rated income – 0%**  
No output VAT is applicable on income, but input VAT may be claimed on relevant expenses  
Example:
  - Sales of items like brown bread, milk, fresh fruit and vegetables,
  - Delivery of goods and services to a foreign recipient and the recipient is not in RSA at the time of rendering services,
  - Certain Grants from State departments – DSI, DTI, DHET, WRC, etc. (Unless the contract states otherwise)
- **Standard rate income – 100%**  
Output VAT is applicable on income and input VAT may be claimed on relevant expenses incurred.  
Example:
  - Consulting income
  - Rental income
  - Sponsorship income
  - Retail sales – all food sales to students, excluding zero-rated items

**4. Sponsorship Income vs Donation Income**

Sponsorship and Donations can be cash or in-kind (goods and services). There is a big difference between a sponsorship and a donation, and one must make sure how to distinguish between the two.

**Sponsorship Income**

Sponsorship income is received from a sponsor for a specific purpose and may only be used for that purpose. The sponsor usually receive a benefit from the sponsorship, for example marketing benefit (sponsors name is mentioned). In most cases, the sponsor may require feedback on how the sponsorship was utilised.

VAT is applicable on all Sponsorship income at a standard rate and must be received on income object – 5752 -Sponsorship Income. VAT may, in return, be claimed on all relevant expenses on which this sponsorship income was spend.

**Donation income**

Donation income is received from a Donor and may be used as seen fit. Therefore, there are no conditions applicable regarding the spending of the donation received. Donations are charitable in nature and purely benefit the organisation at hand.

Donations received are exempt from VAT and must be received on income object 5754 – Donations received. No VAT may be claimed on any expense on which the donation was spend. Object 5754 may therefore not be linked to a VATable account.

The NWU may issue a Section 18A Donation certificate to the Donor that enables the Donor to make a tax deduction for the Donation given.


When issuing a Tax Invoice on KFS it is important that the Tax Type – Donations, is used in conjunction with object 5754.

**5. VAT Classification types**

This is the classification code linked to each object to distinguish where the relevant VAT relating to a specific income or expense should be reflected on the VAT return (VAT201) submitted monthly to SARS.

<u>Vat Classification Type</u>	<u>Object Code Reference</u>
Input - Bad Debts	7652
Input - Exempt	7651
Input - Imports	7654
Input - Standard	7651
Input-Capital Goods	7653
Output - Accomo < 28	9555
Output - Exempt	9553
Output - Exports	9557
Output - Internal	9559
Output - Standard	9552
Output - Zero Rated	9553
Output-Acc>28(60%)	9556
Output-Capital Goods	9554

Example:

<u>Chart Code</u>	<u>Object Code</u>	<u>Object Code Name</u>	<u>Level Code</u>	<u>Object Type Code</u>	<u>Active Indicator</u>	<u>Vat Income Rate</u>	<u>Vat Classification Type</u>
NW	5607	C>INCOME - EXTERNAL SERVICES (NO VAT)	115B	IN	Yes	Exempt - 0 %	Output - Exempt 

## 6. VAT Apportionment and VAT principles

Education and goods and services incidental to the supply of education – exempt in terms of s12(h)(i) and 12(h)(ii)

- Mandatory fees as part of tuition fees – generally VAT Exempt
- Not required as part of tuition fees – generally taxable

Taxable and exempt nature of income requires a restriction on input tax incurred

- Direct attribution:
  - Expenses incurred wholly for the purpose of making taxable supplies – fully recoverable:
    - Consumables contract research (subject to student involvement – will be explained in due course)
    - Consulting and other taxable services
  - Expenses incurred wholly for the purpose of exempt supplies – is not recoverable
    - Education materials
    - Consumables basic research
    - Board and lodging

Overhead/mixed expenditure – expenses incurred for both taxable and exempt purposes must be apportioned:

- Water and electricity
- Security
- Maintenance
- Insurance
- Central stores

Standardised apportionment method for the sector is the VAT Class Ruling (VCR)

This means input VAT may be recovered on applicable expenses for mixed purposes (i.e., overhead costs) and is limited to 12.5% in accordance with the VCR.

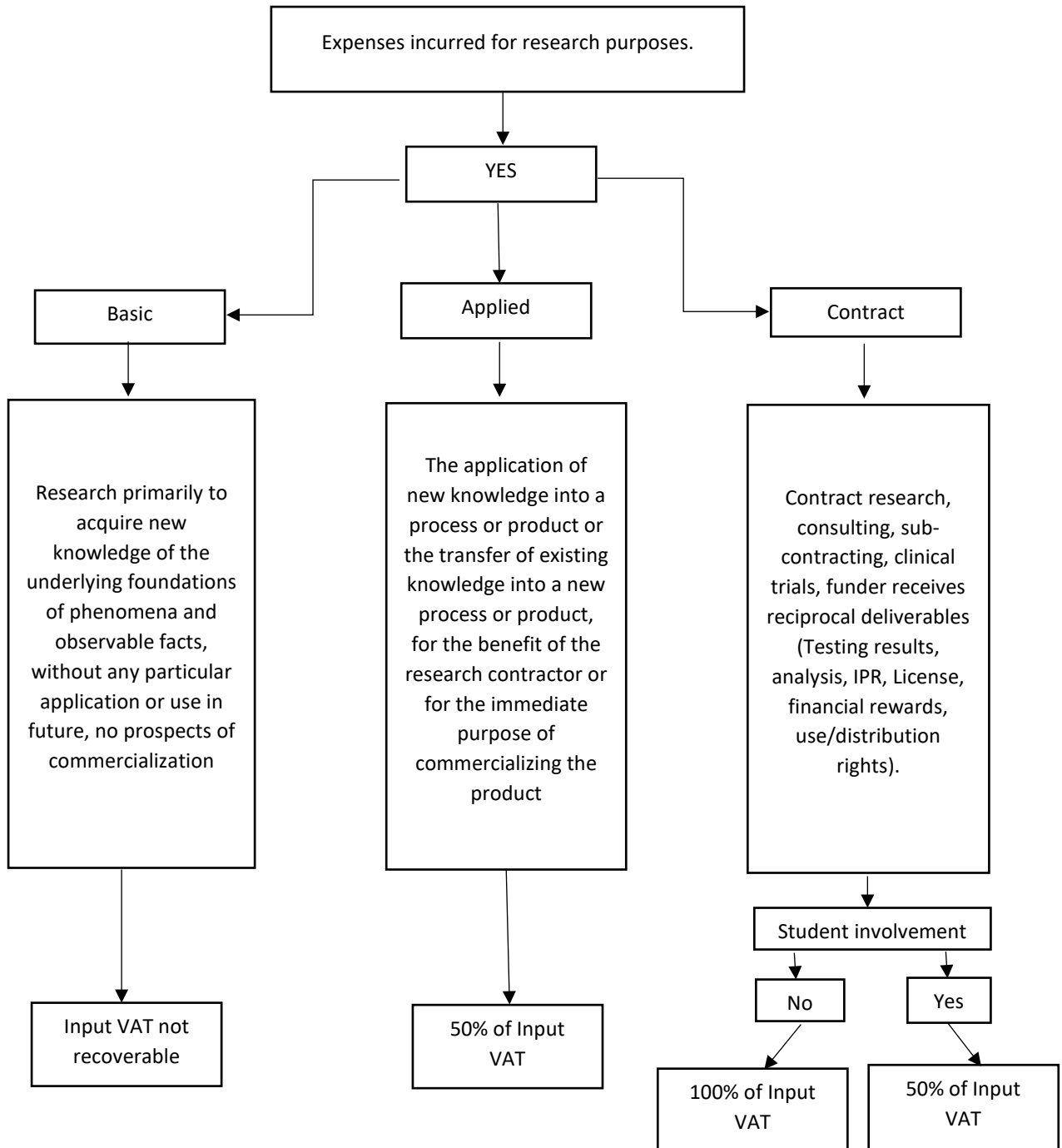
The VCR has specific input tax rules in respect of research

- Research activity
  - Taxable supplies – Contract and 50% of applied research
  - Exempt supplies – Basic Research (0%)
- Commercial research projects is required to recognise the education component – Student involvement
- Disconnect between input and output VAT treatment for research functions

<u>Basic Research</u>	<u>0% VAT recovery rate – no input VAT may be deducted</u>
<u>Applied Research</u>	<u>50% VAT recovery rate – 50% of VAT may be deducted as input VAT</u>
<u>Contract research (student involvement)</u>	<u>50% VAT recovery rate – 50% of VAT may be deducted as input VAT</u>
<u>Contract research (no student involvement)</u>	<u>100% VAT recovery rate – 100% of VAT may be deducted as input VAT</u>

- **Basic Research**
  - Experimental or theoretical work primarily to acquire new knowledge of underlying foundations of phenomena and facts.
  - No particular application or use in view.
  - Constitutes supply of exempt educational services or non-enterprise activity.
- **Applied Research**
  - Project primarily for a specific practical aim or objective.
  - Should result in the application of new or existing knowledge into a process or product.
  - Meets the requirements of the definition of “enterprise” for VAT purposes
  - Input VAT deduction based on the research activity and not on the nature of the funding.
  - Note: Different interpretations of what constitutes applied research – SARS applies a very narrow interpretation of ‘immediate commercialization’.
- **Contract Research**
  - Contractually liable to deliver a service/product
  - Funder entitled to research outcome
  - Taxable supply and full consideration are subject to VAT
    - 15% - RSA funder; or
    - 0% - Foreign funder
    - 15%/0% - Funding from Government departments depending on the contract
- **Excluded from Research**
  - Short Courses
  - Bursaries
  - Sales of goods
  - Rendering of services

**Research input tax decision tree**





Therefore, in a University environment, we have different VAT recovery rates.

The VAT recovery rate on an Account is determined when an Account is opened on KFS.

Consequently, it is crucial to not use an Account for another purpose than what it is opened for there can be substantial VAT implications as well as other reporting risks

The following **VAT recovery rates** are applicable:

<b>0% VAT Recovery Rate</b>	0% VAT - means no VAT is applicable	Educational services – NWU core business  Basic Research	Income object Exempt
<b>12.5% VAT Recovery Rate (VCR)</b>	12.5% VAT - means that 12.5% of 15% VAT may be claimed	Overhead cost/Mixed supplies (Expenses incurred for both taxable and exempt purposes must be apportioned – Municipal services, Security, Maintenance, Insurance etc.	Usually SOF 1 Accounts – therefore subsidy (therefore generally internally funded)
<b>50% VAT Recovery Rate (VCR)</b>	50% VAT – means that 50% of 15% VAT may be claimed	Applied Research and Contract Research with student involvement	Income object can be Zero rated or Standard rate income depending on the source of income
<b>100% VAT Recovery Rate</b>	100% VAT means that 100% of 15% VAT may be claimed	Goods and Service Delivery (Third party rental, Consulting services, sales of prepared meals)  Contract Research with no student involvement	Income object can be Zero rated or Standard rate income depending on the source of income

## 7. **VAT treatment on KFS**

The VAT recovery rate on a KFS Account is determined when an account is opened, and the relevant income object is also linked

When a transaction is created on KFS, the system, depending on the type of transaction, first assesses the:

- VAT recovery rate of the Account
- The object code and if VAT is applicable or not on the object
- Vendor registered for VAT/not registered for VAT
- Commodity code
- If any of these factors have no VAT applicable, no VAT will be calculated on KFS

**These rules differ slightly on KFS GL e-docs -**

- **GEC (YEGE)**
- **DI (YEDI)**
- **RJV**

On GL e-docs, the system only assesses the Accounts VAT recovery rate and the object  
 This means the Vendor VAT status is not considered, and the initiator and approver of the e-doc must consider this when determining if VAT is applicable to the transaction or not.  
 The Vendor VAT status must be checked manually, this is where the Calculate VAT tick comes in.  
 If a Vendor is not registered for VAT, the Calculate VAT tick must be marked NO.

**PLEASE NOTE** – If either the Account or the object is exempt from VAT, KFS will not calculate VAT –  
 In this instance, it is not necessary to change the VAT tick to NO it must remain on default YES

The initiator and the Fiscal officer must add a note for the FIN Approver's attention if VAT is not applicable.

The FIN Approver is responsible for making sure the VAT is handled correctly


Also note that on certain doc types like a Service Billing (SB) no VAT will be applicable, this is an internal transaction

**Account & Object: Where do I see if it is vatable or not?**

- When you click on the underlined Account or Object number, more information (including the VAT status) will be displayed.

* Chart	* Account	Sub-Account	* Object
NW NORTH-WEST UNIVERSITY	<u>1A00627</u> (7700) OFFICE ADMINISTRATION - SUBSIDY		<u>2152</u> D~SECURITY SERVICES

<b>Chart Code:</b>	<u>NW - NORTH-WEST UNIVERSITY</u>
<b>Account Number:</b>	1A00627
<b>Account Name:</b>	(7700) OFFICE ADMINISTRATION - SUBSIDY
<b>Organization Code and Description:</b>	<u>7700-NWU FACULTY</u>
<b>Campus Code:</b>	<u>NW - NORTH-WEST UNIVERSITY</u>
<b>Account Effective Date:</b>	01/01/2018
<b>Account Expiration Date:</b>	
<b>Account Postal Code:</b>	<u>2531</u>
<b>Account City Name:</b>	POTCHEFSTROOM
<b>Account State Code:</b>	<u>NW</u>
<b>Account Street Address:</b>	53 BORCHERD STREET
<b>Account Off Campus Indicator:</b>	No
<b>Closed?:</b>	No
<b>Account Type Code:</b>	<u>A - OFFICE ADMINISTRATION (SOF 1)</u>
<b>SubFund Group Code:</b>	<u>DSACA - DESIGNATED: ACADEMIC ACTIVITIES</u>
<b>Account Fringe Benefit:</b>	Yes
<b>Fringe Benefit Chart Of Accounts Code:</b>	
<b>Fringe Benefit Account Number:</b>	
<b>Higher Ed Function Code:</b>	<u>1.1 - FORMAL INSTRUCTION</u>
<b>Account Restricted Status Code:</b>	<u>U - UNRESTRICTED</u>
<b>Account Restricted Status Date:</b>	
<b>Endowment Chart of Accounts Code:</b>	
<b>Endowment Account Number:</b>	
<b>VAT Recovery Rate:</b>	<u>Apportionment - 12.5 %</u> ←
<b>Account Contribution:</b>	<u>0% CONTRIBUTION - 0 %</u>
<b>Internal Interest:</b>	No
<b>Account Group:</b>	<u>51460</u>
<b>Source Of Funds Code:</b>	<u>1</u>
<b>Management Accounting Services:</b>	No

<b>Fiscal Year:</b>	<u>2019</u>
<b>Chart Code:</b>	<u>NW *-* NORTH-WEST UNIVERSITY</u>
<b>Object Code:</b>	<u>2152</u>
<b>Object Code Name:</b>	D~SECURITY SERVICES
<b>Object Code Short Name:</b>	SECURITY SER
<b>Reports to Chart Code:</b>	<u>UN *-* UNIVERSITY</u>
<b>Reports To Object Code:</b>	<u>2152 *-* D~SECURITY SERVICES</u>
<b>Object Type Code:</b>	<u>EX *-* EXPENSE EXPENDITURE</u>
<b>Level Code:</b>	<u>I32</u>
<b>Object Sub-Type Code:</b>	<u>SO *-* SERVICES OUTSOURCED</u>
<b>Historical Financial Object Code:</b>	
<b>Active Indicator:</b>	Yes
<b>Budget Aggregation Code:</b>	<u>O *-* OBJECT</u>
<b>Mandatory Transfer Or Eliminations Code:</b>	<u>N *-* NEITHER</u>
<b>Federal Funded Code:</b>	<u>N *-* NOT FEDERALLY FUNDED</u>
<b>Next Year Object Code:</b>	
<b>Vat Income Rate:</b>	Standard - 15 % 
<b>Vatable:</b>	Yes
<b>Vat Classification Type:</b>	<u>Input - Standard</u>

On the KFS NWU GL Object Detail report, if VAT is applicable to a transaction, the transaction will have two separate accounting lines,

- VAT inclusive amount (invoice amount)
- VAT amount

Object: 2752 - D-PACKAGING MATERIAL PURCHASES      Object Type: EX      VAT: Standard - 15.0%

Balance Till 01-01-2018										0.00
NW.1A00734.2752			04-06-2018	04-06-2018	<VATR-3> Stores Charge Order - 4988803		01	4988803	SPKV	-2.05
NW.1A00734.2752			04-06-2018	04-06-2018	Stores Charge Order - 4988803		01	4988803	SPKV	125.58
Total for Object: 2752 - D-PACKAGING MATERIAL PURCHASES										123.53

Example

- This transaction must now be moved to the correct object from 2752 to 2701 – on the same account – objects both vatable

Object: 2752 - D-PACKAGING MATERIAL PURCHASES      Object Type: EX      VAT: Standard - 15.0%

Balance Till 01-01-2018										0.00
NW.1A00734.2752			04-06-2018	04-06-2018	<VATR-3> Stores Charge Order - 4988803		01	4989034	SPKV	-2.05
NW.1A00734.2752			04-06-2018	04-06-2018	Stores Charge Order - 4988803		01	4989034	SPKV	125.58
Total for Object: 2752 - D-PACKAGING MATERIAL PURCHASES										123.53

- The inclusive amount (R125.58) must be moved because the VAT line (R2.05) will be handled by KFS

	* Chart	* Account	Sub-Account	* Object	Sub-Object	Project	Org Ref Id	* Amount	Actions
	NW	1A00734 <small>(8400) OFFICE ADMINISTRATION - SUBSIDY</small>		2752 <small>D~PACKAGING MATERIAL PURCHASES</small>				125.58	
1	* Reference Origin Code	* Reference Number	* Line Description		* Calculate VAT				
	01	4989034	Stores Charge Order - 4988803		Yes				
								Total: 125.58	<input type="button" value="delete"/> <input type="button" value="bal inquiry"/> <input type="button" value="refresh"/>

- If unsure if your accounting lines are correct, save the document and look at the pending entries

General Ledger Pending Entries												
Seq #	Fiscal Year	Chart	Account	Sub-Account	Object	Sub-Object	Project	Doc Type	Balance Type	Obj. Type	Amount	D/C
1	2018	NW	1A00734	----	2752	---	-----	GEC	AC	EX	125.58	C
2	2018	NW	1A00734	----	2752	---	-----	GEC	AC	EX	2.05	D
3	2018	NW	1A00734	----	7991	---	-----	GEC	AC	AS	2.05	C
4	2018	NW	1A00734	----	7991	---	-----	GEC	AC	AS	125.58	D
5	2018	NW	1G00101	----	7651	---	-----	GEC	AC	AS	2.05	C
6	2018	NW	1G00101	----	7991	---	-----	GEC	AC	AS	2.05	D
7	2018	NW	1A00734	----	2701	---	-----	GEC	AC	EX	125.58	D
8	2018	NW	1A00734	----	2701	---	-----	GEC	AC	EX	2.05	C
9	2018	NW	1A00734	----	7991	---	-----	GEC	AC	AS	2.05	D
10	2018	NW	1A00734	----	7991	---	-----	GEC	AC	AS	125.58	C
11	2018	NW	1G00101	----	7651	---	-----	GEC	AC	AS	2.05	D
12	2018	NW	1G00101	----	7991	---	-----	GEC	AC	AS	2.05	C

- Invoice amount as per accounting line
- VAT amount handled automatically by KFS

The VAT amount is calculated as follows:

Remember that the VAT rate is 15%

The Account VAT recovery rate is 12.5% - this means only 12.5% of the 15% VAT may be claimed on this account on applicable expenses.

Invoice amount x 15/115 x 12.5% = VAT to be claimed

R 125.58 x 15/115 x 12.5% = R 2.05

As previously mentioned, GL e-docs only look at the Account and object to determine VAT

Therefore, if a transaction is moved from a non-VAT object to a VAT object, you must manually look at the Vendor to determine if VAT might be applicable on the TO accounting line on your GL e-doc

Example:

- FROM (CT) - 2553 – VAT exempt 0%
- TO (DT) – 2554 – VAT standard rate 100%

Account has a VAT recovery rate of 12.5% but object 2553 is exempt from VAT therefore no VAT is applicable on the accounting line.

Account:		1A00939 - (7815) OFFICE ADMINISTRATION - SUBSIDY				SOF: 1	VAT: Apportionment - 12.50%			
MC.1A00939.2553		30-10-2019	30-10-2019	<VATI-D> Accommodation booking for Prof Hein for attending a meeting in Vaal this afternoon and back to Potch for another meeting tomorrow morning.	GREY MANOR GUESTHOUSE POTCHEFSTROOM	01	6364794	DVCA	REF:6761	2,340.00


The transaction is being reallocated to object 2554, which is a vatable object

Because the VAT on the two objects differs it is important to go and look if the Vendor is registered for VAT or not.

Two ways you can do this:

- Either lookup the document on KFS of the transaction which is now being moved in this case, doc 6364794 and have a look at the invoice that was attached to see if the vendor is registered for VAT or not. If the Vendor is registered for VAT the VAT number of the Vendor will be displayed on the invoice indicating that they are registered for VAT and the VAT amount will also be indicated on the invoice.
- Or you can look up the Vendor on KFS to see if he is registered for VAT or not.
- The first option is the preferred method, as you can make ensure a valid tax invoice was received for this payment.
- Please make sure that if the invoice is above R 5 000 that the NWU VAT number is also displayed on the Invoice and all the other relevant information – see point 9 – Requirements for a Valid tax invoice

In case you performed a doc search and looked at the invoice that was attached to document 6364794 to determine if the Vendor is registered for VAT or not, you will see the VAT number of the Vendor as well as the VAT amount displayed on the invoice which indicates therefore that the Vendor is in fact registered for VAT.



**TAX INVOICE**  
 VAT No: 4070 243 789  
 Reference : 6761

**Tuesday 29 October 2019**

<b>Attention :</b> Saleemah Abdullah	<b>Tax No. :</b> 4500209301
<b>Company :</b> NWU School of Business & Governance	<b>Voucher No. :</b>
<b>Guest :</b> Prof Hein Prinsloo	<b>Mobile:</b>
	<b>Tel:</b> 018 389 2095
<b>Address:</b> North West University P/Bag X 6001 Potchefstroom, 2531	<b>Fax:</b>
	<b>Email:</b> 23145986@nwu.ac.za

<b>Arrival:</b> Tuesday 29 October 2019	<b>Nights:</b> 2	<b>Adults:</b> 1
<b>Departure:</b> Thursday 31 October 2019	<b>Rooms:</b> 1	<b>Children:</b> 0

Date	Description	Qty	Unit Price	VAT	Total
29/10/2019	Business Suite for 1 adult for 2 nights @ R900.00	2	R900.00	R234.78	R1 800.00
29/10/2019	Continental and Warm Breakfast	2	R90.00	R23.48	R180.00
29/10/2019	Dinner (Eat-In)	2	R180.00	R46.96	R360.00
<b>Total</b>				<b>R305.22</b>	<b>R2 340.00</b>

Because the Vendor is registered for VAT and a Valid tax invoice was received, the Calculate VAT must be YES on the TO accounting line – In case the Vendor was not registered for VAT the Calculate VAT indicator would have been marked NO.

	* Chart	* Account	Sub-Account	* Object	Sub-Object	Project	Org Ref Id	* Amount
	MC	1A00939		2554				2,340.00
	MAFIKENG CAMPUS	(7815) OFFICE ADMINISTRATION - SUBSIDY		D~SUBSISTENCE & MEALS - MINIMUM 1 NIGHT (RSA - ONLY)				
1	* Reference Origin Code	* Reference Number	* Line Description			* Calculate VAT		
	01	6364794	Correction of transaction incorrectly allocated against object 2553 instead of 2554 - Accommodation for Prof Hein - Grey Manor Guesthouse			Yes		

The second line on the pending GL entries indicates the VAT on the transaction.

2021	MC	1A00939	.....	2554	---	.....	GEC	AC	EX	2,340.00	D
2021	MC	1A00939	.....	2554	---	.....	GEC	AC	EX	38.15	C

The VAT amount is calculated as follows:

Remember the VAT rate is 15%

The Account VAT recovery rate is 12.5% - this means that only 12.5% of the 15% VAT may be claimed on this account, and applicable expenses.

Invoice amount  $\times 15/115 \times 12.5\%$  = VAT to be claimed

$R\ 2\ 340.00 \times 15/115 \times 12.5\% = R\ 38.15$

## 8. VAT on Invoices (Income)

- The NWU accounts for VAT on the invoice basis; this means, the NWU must account for VAT at the earlier of:
  - The time an invoice is issued for the goods or services; or
  - The time any payment of consideration is received by the supplier.
- When a transaction is created on KFS, the system, depending on the type of transaction, first looks at the following:
  - VAT recovery rate of the Account and;
  - The object code and if VAT is applicable or not on the object.
- If either the Account or the object is exempt from VAT, no VAT will be applicable on the relevant transaction.
- The VAT recovery rate is determined when an Account is created on KFS and the relevant income object is linked. Therefore, it is also crucial not to use an Account for any other purpose than what it was opened for or reuse old accounts; there can be substantial VAT implications.
- In the case of invoices, the Invoice type also plays a role when it comes to VAT on invoices.
- KFS therefore looks at the invoice type, account and object to determine if there is VAT applicable when an invoice is issued.
- When a Non-Tax invoice, Bursary or Donation invoice type is selected, no VAT will be calculated even if both the account and the object is vatable.
- VAT will only be calculated if invoice type Tax invoice and Tax Invoice Rand (Foreign) is selected, and both the Account and object are vatable.
- The invoice type is therefore critical, and both the initiator and the approver must ensure the correct invoice type is used when an invoice is issued.
- Invoice type – Non-Tax invoices, Bursaries and Donations:

- A Non-Tax invoice may only be used when an Account is exempt from VAT – Goods and services rendered must be exempt, for example SCAS approved short course invoices.
- No VAT is applicable on Bursaries and Donations.
- Invoice type – Bursaries - may only be used in conjunction with object 6251 – Income Outside Sponsored Bursaries (the invoice type has an influence on the account receivable object – 7502 is applicable to bursary invoices).
- Invoice type – Donations – may only be used in conjunction with object 5754 – Donations received (the invoice type has an influence on the account receivable object – 7503 is applicable to donation invoices).

Example:

The Account has a VAT recovery rate of 100%, and the object is vatable, but due to the fact that the Invoice Type – Non-Tax Invoice was selected no VAT will be calculated.

Detail Information									
* Invoice Type: <b>Non-Tax</b> Invoice					Exchange Rate: 1				
Billing Date: 27/11/2020					* Due Date: 27/12/2020				
* Payment Terms: NET 30 DAYS					Open Invoice Indicator: No				
Statement Information									
Header Text:					Attention Line Text:				
Print Invoice Indicator:					Print Date: 08/02/2021				
Collections									
Follow-Up Date:									
Billing/Shipping									
▶ show									
Accounting Lines									
▼ hide									
Accounting Lines ?									
hide detail									
Source									
Chart	Account	Sub-Account	Object	Sub-Object	Project	Org Ref Id	* Amount	Actions	
PC POTCHEFSTROOM CAMPUS	2B02183 (89)3 CWSM ECO ANALITICAL		5606 C=INCOME - EXTERNAL SERVICES (VAT)				1,260.00		
* Invoice Item Code	* Invoice Item Quantity	* Invoice Item Description	Invoice Item Service Date	Invoice Item Unit Of Measure Code	* Invoice Item Unit Price	Vat?			
1 0451-N	3	LUCIEN NAMBUKWA : EXCHANGEABLE ACIDITY		EA	36	Yes			
Vat Amount	0.00								

**VAT Recovery Rate**

Standard - 100 %

That's why it is very important to select the correct invoice type when an Invoice is issued.

- Where services are rendered to foreign customer and the customer is not in the RSA at the time of rendering the service, the services will be deemed as to be exported and the zero rate for VAT will apply – Invoice type ~ Tax invoice.
- Where services are rendered to foreign customer and the customer is in the RSA at the time of rendering the service VAT will be charged at the standard vatable rate – Invoice type ~ Tax invoice Rand Foreign must be used; the foreign customer can claim back the VAT when leaving the borders of RSA.

**Note:** The correct income object as mentioned earlier will be linked when an account is opened and therefore VAT on the income/invoice will be handled correctly, if the correct invoice type is used.



**8.1 The treatment of VAT when a receipt is allocated directly to income object instead of outstanding debtor**

- What is the implication when a receipt is directly allocated to income and not applied to the outstanding debtor/invoice?
  - VAT and income are declared twice
  - VAT and income will therefore be declared when the invoice was issued and again when the receipt was allocated directly against the income object.
  - Income and liabilities will be overstated
- This must be rectified as soon as you become aware hereof, a Credit memo must immediately be raised for that invoice to rectify the income and VAT.
- How the transaction should be accounted for if the receipt is allocated directly against the outstanding debtor.

<b>Income</b>		<b>Debtor</b>	
	Invoice 100	Invoice 115	Receipt 115
<b>VAT</b>		<b>Bank</b>	
	Invoice 15	Receipt 115	0

- How the transaction will look if the receipt is incorrectly allocated directly against income and not against the outstanding debtor

<b>Income</b>		<b>Debtor</b>	
100 CM	Invoice 100 Receipt 100	Invoice 115	CM 115
<b>VAT</b>		<b>Bank</b>	
15 CM	Invoice 15 Receipt 15	Receipt 115	0

## **8.2 Effect of VAT on the write-off of Invoices and Credit memos**

Circumstances under which a Credit memo may be issued:

- Where a supply is cancelled.
- Where the nature of the supply is fundamentally varied or altered
- Where the previously agreed consideration for that supply has been altered by agreement with the recipient, whether due to the offer of a discount or for any other reason
- Where goods or part of goods have been returned by the recipient
- An error has occurred in stipulating the amount of consideration agreed upon for the supply.

The following requirements must be met before a Credit memo may be issued:

- A tax invoice must have been issued on which the wrong VAT amount was reflected, resulting from one of the criteria mentioned previously; or
- A return was furnished on which the wrong amount of output VAT was declared as a result of one of the previously mentioned criteria.

In short, Credit memo's can be used in any circumstances that would require the invoice to be changed and re-issued

**A Credit Memo therefore may not be issued according to the VAT Act if the Debtor becomes irrecoverable**

- When a debtor becomes irrecoverable, the debtor must be written off.
- NWU may claim input VAT on bad debt as per Section 22(1) of the VAT Act. If a taxable supply was made and VAT was paid over to SARS when the amount becomes irrecoverable, an input tax deduction of the VAT may be made on the amount that became irrecoverable.
- If a Credit memo is issued when debt is irrecoverable income is incorrectly decreased as well as Output VAT.
- That is why irrecoverable debt must be written off as an expense and input VAT is then recovered on the irrecoverable debt.

## 9. Requirements for a Valid Tax-Invoice

SARS has a check list with certain criteria that must be met for an Invoice to be valid in order to claim VAT. Requirements as per Sec 20(4):

# CHECKLIST

## VALUE-ADDED TAX (VAT) INVOICES

### FULL TAX INVOICE

(this is required where the supply (including VAT) exceeds R5000)

CRITERIA THAT THE INVOICE MUST MEET	Y/N
Contains the words "Tax Invoice", "VAT Invoice" or "Invoice"	
Name, address and VAT registration number of the supplier	
Name, address and where the recipient is a vendor, the recipient's VAT registration number	
Serial number and date of issue of invoice	
Accurate description of goods and /or services (indicating where applicable that the goods are second hand goods)	
Quantity or volume of goods or services supplied	
Value of the supply, the amount of tax charged and the consideration of the supply (value and the tax)	

*Note: all seven criteria must be met for the invoice to meet the requirements of a Tax Invoice*


### ABRIDGED TAX INVOICE

(where the supply (including VAT) is greater than R50 and less than R5000)

CRITERIA THAT THE INVOICE MUST MEET	Y/N
Contains the words "Tax Invoice", "VAT Invoice" or "Invoice"	
Name, address and VAT registration number of the supplier	
Serial number and date of issue of invoice	
Accurate description of goods and /or services	
Value of the supply, the amount of tax charged and the consideration of the supply (value and the tax)	

*Note: all five criteria must be met for the invoice to meet the requirements of an abridged Tax Invoice*

Example of a Full Tax-Invoice

<b>A</b>	<b>TAX INVOICE</b> POTCHEFSTROOM CAMPUS		<b>B</b>	<b>NWU</b> <sup>®</sup> NORTH-WEST UNIVERSITY NOR-OWES-UNIVERSITEIT YUNIBESITHI YA BOKONE-BOFHUWA Private Bag X1001, POTCHEFSTROOM South Africa, 2031
	VAT registration no: <b>4500209301</b>			<b>0420977</b>
	CENTRAL UNIVERSITY OF TECHNOLOGY FREE STATE PRIVATE BAG X 20530			<b>D</b> Date: 2019-10-25 Page: 1 of 1
<b>C</b>	BLOEMFONTEIN 9300			
	Your contact person: LISA NEL			<b>NWU contact person</b>
	Your reference no: E236985		Name: MR BESTER	
	Client no: 20713215		Tel no: (018) 299-4740	
	Client VAT no: 4350156347		E-mail: 21256446@nwu.ac.za	

Line number	Description	Quantity	Unit selling price	Amount
1	<b>E</b> COMBER CONFERENCE REGISTRATION - 20-22 NOVEMBER	<b>F</b> 1	869.57	869.57
			<b>Sub total:</b>	869.57
			<b>VAT:</b>	130.43
			<b>Total (ZAR):</b>	1000.00

<b>Terms:</b>	NET 30 DAYS	<b>Banking details</b>
<b>Due date:</b>	24/11/2019	North-West University
<b>Sundry Debtors</b>		Bank: ABSA
<b>Name:</b>	RIA VD BERG	Branch name: TOM ST
<b>Tel no:</b>	(018) 299-2654	Branch Code: 335138
<b>E mail:</b>	PUK-DEBTORS@NWU.AC.ZA	Account no: 670642313
		Your reference: 0420977_20713215
		SWIFT code: ABSAZAJJ

- A - Contains the words "Tax Invoice", "VAT Invoice" or "Invoice"
- B - Name, address and VAT registration number of the supplier
- C - Name, address and where the recipient is a vendor, the recipient's VAT registration number
- D - Serial number and date of issue of invoice
- E - Accurate description of goods and /or services (indicating where applicable that the goods are second-hand goods)
- F - Quantity or volume of goods or services supplied
- G – Value of the supply, the amount of tax charged and the consideration of the supply (value and the tax)

**A Tax-Invoice must be in South African currency unless it is a zero-rated supply**

## 10. Import VAT

Apart from the customs duty there is also VAT payable on the importation of goods.

Normally an import agent is used that is responsible for all the import documentation as well as the customs duty and import VAT. The import agent invoices the NWU for the customs duty and import VAT, as well as their levies for services rendered plus VAT on the levy.

When payment is done on KFS the system cannot distinguish between the different VAT on the invoice, the levies and customs duty. KFS will therefore calculate the VAT as being inclusive in the total amount of the invoice.

A RJV - Journal Voucher will have to be created after the payment has been finalised on KFS in order to claim the correct amount of VAT on the invoice, this journal must be done by the person responsible for this specific Account's finance on KFS, the Fiscal Officer or Financial Accountant.

Documents required to be attached to the RJV:

- Invoice on which import VAT is indicated,
- NWU GL Object detail report (GLBI002) extract indicating where the payment was made (should be object 3125 – Expenses Imports) and,
- The calculation of the import VAT that still can be claimed.

The RJV must be initiated by the responsible person and the credit accounting line must be completed with the expense object 3125, the document must then be ad-hoc routed to the Tax Office to COMPLETE the Import VAT (object 7654 - Input VAT Imports) debit accounting line.

**Please remember:** If importation cost, and therefore import VAT is applicable to assets acquired, the correction must first be done before capitalisation for this asset can take place (via GEC).

Examples regarding the correction of Import VAT applicable on the different VAT recovery rates:

### Account VAT recovery rate – 100%

In case the VAT recovery rate on an account is 100%, then 100% of the VAT can be claimed.

However, as mentioned KFS will not be able to distinguish between the VAT on levies, customs duty, and imports. Instead, the VAT will be calculated on the total invoice amount.

An example of the NWU GL Object Detail report and invoice is shown below:

Chart:		PC - POTCHEFSTROOM CAMPUS											
Organization:													
Account:		Account Group: Standard - 100.00% ←											
Transaction Date From:		01-05-2022	Transaction Date To:		31-05-2022							SOF: 3	
COA	Sub Account	Project	Transaction Date	Creation Date	Line Description	Vendor / Customer / Payee	Origin Code	Doc Nbr	Doc Type	Invoice	PO Doc Ref Nbr	Amount	
Object: 3125 - D-EXPENSES - IMPORTS					Object Type: EX		VAT: Standard - 15.0%						
Balance Till 01-05-2022												0.00	
.3125			31-05-2022	30-05-2022	<VAT-D> Payment of import of containers and transporting telescopes for Prof James Chibueze (Kenco Cleaning)	KENCO CLEANING & FORWARDING CC (DV)	01	8769516	DVCA	21579		389,643.87	
.3125			31-05-2022	30-05-2022	<VAT-R-1> Payment of import of containers and transporting telescopes for Prof James Chibueze (Kenco Cleaning)	KENCO CLEANING & FORWARDING CC (DV)	01	8769516	DVCA	21579		-50,823.11	
Total for Object: 3125 - D-EXPENSES - IMPORTS												338,820.76	

Reg: (1985/005118/23) VAT: 4660116494 Tel: (+27)(21) 552 6577 Fax: (+27)(21) 552 4235 justin@kencooclearing.co.za  Kenco Clearing & Forwarding cc Unit C, Parc Du Mont Cnr Railway Rd & Hoist Ave Montague Gardens 7441		<b>Tax Invoice</b>  Date 27/05/22  Page 1  Document No 21579					
North West University Private Bag X6001 Potchefstroom South Africa 2520		Deliver to					
Account	Your Reference	Tax Exempt	Tax Reference	Sales Code			
N37	21579	N	4500209301	Inclusive			
Code	Description	Quantity	Unit	Unit Price	Disc%	Tax	Sub Total
	IMPORT, SANTA CRUZ 221S, 19 PKGS						
1000040	Vanguard Landsides					R0.00	R28,530.76
9501000	→ Customs VAT					R0.00	R325,085.25
1000070	Transport from Durban - Unpack Depot to Potchefstroom Kerb Only					R2,925.00	R22,425.00
1000150	Disbursements					R39.00	R299.00
1000171	Customs Documentation					R105.00	R805.00
1000173	Agency					R1,689.12	R12,949.92
1000172	Petties & Communication					R30.00	R230.00
1000060	Unpack Depot Handling Fees					R172.04	R1,318.94
Standard Bank - Thibault Square Branch Code: 020909 Account: 070930678 Swift Address: SBZAJJ				Sub Total Discount @ 0.00% Amount Excl Tax Tax Total		R384,683.71 R0.00 R384,683.71 R4,960.16 <b>R389,643.87</b>	

The VAT that KFS calculated on this invoice amounts to **R50 823.11** (15% of the total invoice amount of **R 389 643.87**). However, on the invoice, the total VAT related to the invoice in its entirety amounts

to the Customs VAT and VAT levied on other items is R330 045.41 (R325 082.25 + R 4960.16): Thus, the total VAT on the invoice is R330 045.41. The VAT claimed when payment was made amounts to R50 823.11 – The difference of R279 222.30 (R 330 045.41 – R 50 823.11) need to be rectified with a RJV.

An example of the calculation is shown below:

Invoice of Import agent	Excl VAT	VAT	Total
Vanguard slides	26,530.76		26,530.76
Customs VAT		325,085.25	325,085.25
Transport from Durban - Unpack	19,500.00	2,925.00	22,425.00
Disbursements	260.00	39.00	299.00
Customs documentation	700.00	105.00	805.00
Agency	11,260.80	1,689.12	12,949.92
Petties & Communication	200.00	30.00	230.00
Unpack Depot Handling fees	1,146.90	172.04	1,318.94
Invoice Total		330,045.41	389,643.87

Payment on KFS is made	389,643.87	
VAT claimed on KFS with payment	50,823.11	(R 389 643.87 X 15/115 = R 50 823.11)
VAT on other items on invoice	4,960.16	(R 2 925.00 + R 39.00 + R 105.00 + R 1 689.12 + R 30.00 + R 172.04)
Import VAT	325,085.25	
Total VAT as per invoice	330,045.41	
Less: VAT already claimed with payment on KFS	(50,823.11)	
Total of VAT still to be claimed	279,222.29	

RJV - Accounting lines		
CT - 3125 - Expenses - Imports		279,222.29
DT - 7654 - Input VAT imports	279,222.29	
Correction of VAT on imports		

### Account VAT recovery rate – 50%

If the VAT recovery rate on an account is 50%, then 50% of 15% VAT can be claimed. However, as mentioned KFS will not be able to distinguish between the VAT on levies, customs duty, and imports. Instead, the VAT will be calculated on the total invoice amount.

An example of the NWU GL Object Detail report and invoice is shown below:

COA	Sub Account	Project	Transaction Date	Creation Date	Line Description	Vendor / Customer / Payee	Origin Code	Doc Nbr	Doc Type	Invoice	PO Doc Ref Nbr	Amount
Chart: PC - POTCHEFSTROOM CAMPUS												
Organization:						Account Group:						
Account:						SOF: 2 VAT: Research - 50.00%						
Transaction Date From: 01-11-2022			Transaction Date To: 02-11-2022									
Object: 3125 - D-EXPENSES - IMPORTS Object Type: EX VAT: Standard - 15.0%												
Balance Till 01-11-2022 588,083.46												
	.3125		01-11-2022	27-06-2022	<VATI-0> RHD Instruments Import Fees	UPS SCS SOUTH AFRICA (PTY) LTD. - COD	01	8849401	DVCA	8841993		13,475.58
	----- .3125		01-11-2022	27-06-2022	<VATR-1> RHD Instruments Import Fees	UPS SCS SOUTH AFRICA (PTY) LTD. - COD	01	8849401	DVCA	8841993		-878.84
Total for Object: 3125 - D-EXPENSES - IMPORTS 600,680.20												

IMPORT PROFORMA INVOICE  
 PROFORMA TAX INVOICE  
 COD

UPS-SCS South Africa  
 33 BRUSSELS RD  
 AEROPORT, SPARTAN  
 JOHANNESBURG, ZA 1619

Invoice Number AR\_0001\_20249\_ZA  
 Invoice Date 06/15/2022  
 UPS Account Number 8ZA001A9Y8

Company Registration 1994/003625/07  
 V.A.T. Registration 4630144030  
 Telephone Number +27 11 922 9200  
 Fax Number +27 11 922 9302

NORTH-WEST UNIVERSITY  
 11 HOFFMAN STREET  
 POTCHEFSTROOM, 2531  
 ZA

VAT Reg Number 4500209301

SHIPMENT NO : 5A0273T84R3				BILL TERM : P/P				
Shipper Name : RHD INSTRUMENTS GMBH & CO. KG				Purchase Order Number :				
Consignee Name : NORTH-WEST UNIVERSITY				Consignee Address : 11 HOFFMAN STREET				
Product L/D/N	PKGS	Chargeable Weight	Actual Weight	Zone	Origin	Dest	File Number	File Date
	1	0.80 KGS	0.00		DE	ZA	5A0273T84R3	
					Charge		VAT	Total
340		BROKERAGE ADMINISTRATION CHARG			150.00		22.50	172.50
405		DISBURSEMENT FEE			514.46		77.17	591.63
205		CUSTOMS VAT			12711.45			12711.45
TOTAL INV ZAR					13375.91		99.67	13475.58

Banking Details  
 Standard Chartered  
 Branch Name :  
 Account Number :  
 Branch Code :  
 Please Quote Reference : AR\_0001\_20249\_ZA

TOTAL INV ZAR 13475.58

The VAT that KFS calculated on this invoice amounts to R 878.84 (R 13 475.58 x 15/115 x 50%). However, on the invoice, the total VAT related to the invoice in its entirety amounts to the Customs VAT and the VAT on other charges is R 12 811.12 (R 12 711.45 + R 99.67): Thus, the total VAT on the invoice is R 12 811.12. The VAT claimed when payment was made amounts to R 878.84 – The difference of R 5 526.72 ((R 12 811.12 x 50%) - R 878.84)) would need to be rectified with a RJV.



An example of the calculation is shown below:

Invoice of Import agent	Excl VAT	VAT	Total
Customs VAT		12,711.45	12,711.45
Brokerage administration fee	150.00	22.50	172.50
Disbursement fee	514.46	77.17	591.63
Invoice Total		12,811.12	13,475.58

Payment on KFS is made	13,475.58	
VAT claimed on KFS with payment	878.84	(R 13 475.58 X 15/115 X 50% = R 878.84)
VAT on other items on invoice	99.67	(R 22.50 + R 77.17)
Import VAT	12,711.45	
Total VAT as per invoice	12,811.12	
Correct VAT amount that should be claimed @ 50%	6,405.56	
Less: VAT already claimed with payment on KFS	(878.84)	
Total of VAT still to be claimed	5,526.72	

RVJ - Accounting lines		
CT - 3125 - Expenses - Imports		5,526.72
DT - 7654 - Input VAT imports	5,526.72	
Correction of VAT on imports		

### Account VAT recovery rate – 12.5%

If the VAT recovery rate on an account is 12.5%, then 12.5% of 15% VAT can be claimed. However, as mentioned KFS will not be able to distinguish between the VAT on levies, customs duty, and imports. Instead, the VAT will be calculated on the total invoice amount.

An example of the NWU GL Object Detail report and invoice is shown below:

COA	Sub Account	Project	Transaction Date	Creation Date	Line Description	Vendor / Customer / Payee	Origin Code	Doc Nbr	Doc Type	Invoice	PO Doc Ref Nbr	Amount
Chart: Organization: <span style="float: right;">Account Group:</span> Account: 1A00746 - (8612) OFFICE ADMINISTRATION - SUBSIDY <span style="float: right;">SOF: 1    VAT: Apportionment - 12.50% </span> Transaction Date From: 19-05-2022    Transaction Date To: 19-05-2022												
Object: 3125 - D-EXPENSES - IMPORTS						Object Type: EX		VAT: Standard - 15.0%				
Balance Till 19-05-2022 <span style="float: right;">0.00</span>												
3125			19-05-2022	13-05-2022	<VATI-0> Import cost.	UPS SCS SOUTH AFRICA (PTY) LTD - COD	01	8690212	DVCA	8687168		99,704.05
3125			19-05-2022	13-05-2022	<VATR-1> Import cost.	UPS SCS SOUTH AFRICA (PTY) LTD - COD	01	8690212	DVCA	8687168		-1,625.61
Total for Object: 3125 - D-EXPENSES - IMPORTS											98,078.44	



**IMPORT  
Tax Invoice**

Invoice Number 200108497  
 Invoice Date 5/14/2022  
 UPS Account No WIE200

UPS SCS South Africa (Pty) Ltd  
 Unit C, Brussels Road  
 Aeroport, Spartan Ext 2  
 Kempton Park 1619  
 P.O. Box 524  
 Isando 1600  
 South Africa

NORTH-WEST UNIVERSITY  
 BUILDING G 19 11 HOFFMAN STREET  
 DSI/NWU PRECLINICAL DRUG DEV PLAT V  
 POTCHEFSTROOM  
 2531  
 VAT Reg No 4500209301

Company Registration 1994/03625/07  
 V.A.T Registration 4630144030  
 Telephone Number +27 11 922 9200  
 FAX Number +27 11 922 9300

PO Number :

SHIPMENT NO: 354W25SXPCCL

BILL TERM: P/P

<b>Shpr Name:</b> EMKA TECHNOLOGIES 59 BLD GAL MARTIAL VALIN PARIS 75015 FR			<b>Cnee Address:</b> BUILDING G 19 11 HOFFMAN STREET DSI/NWU PRECLINICAL DRUG DEV PLAT V				
Product: L/D/N	PKGS	Chargeable Weight	Zone	Origin	Dest	PO Number	File Date
N	2	50.00	004	FR	ZA		5/7/2022
			Charge		VAT		Total
CUSTOMS VAT					95,147.85		95,147.85
BROKERAGE ADMINISTRATION CHARGE			150.00		22.50		172.50
DISBURSEMENT FEE			3,811.91		571.79		4,383.70
Shipment Total ZAR:			3,961.91		95,742.14		99,704.05

Total Inv ZAR: **99,704.05**

Please pay ZAR NINETY-NINE THOUSAND SEVEN HUNDRED FOUR AND 05 / 100 only

The VAT that KFS calculated on this invoice amounts to **R1 625.61** ( $R99\,704.05 \times 15/115 \times 12.5\%$ ). However, on the invoice, the total VAT related to the invoice in its entirety amounts to the Customs VAT, and VAT levied on other items is **R 95 742.14** ( $R95\,147.85 + R\,22.50 + R\,571.79$ ). Thus, the total VAT on the invoice is **R 95 742.14**. The VAT claimed when payment was made amounts to **R 1 625.61** – The difference of **R 10 342.16** ( $(R95\,742.14 \times 12.5\%) - R\,1\,625.61$ ) would need to be rectified with a RJV.

An example of the calculation is shown below:

Invoice of import agent	Excl VAT	VAT	Total
Customs VAT		95,147.85	95,147.85
Disbursement	3,811.91	571.79	4,383.70
Brokege Administration Charge	150.00	22.50	172.50
Import VAT			
Invoice Total		95,742.14	99,704.05
Payment on KFS is made		99,704.05	
VAT claimed on KFS with payment		1,625.61	( $R\,99\,704.05 \times 15/115 = R\,13\,004.88 \times 12.5\% = R\,1\,625.61$ )
VAT on other items on invoice		594.29	( $R\,571.79 + R\,22.50$ )
Import VAT		95,147.85	
Total VAT as per invoice		95,742.14	
Correct VAT amount that should be claimed @ 12.5%		11,967.77	
Less: VAT already claimed with payment on KFS		(1,625.61)	
<b>Total of VAT still to be claimed</b>		<b>10,342.16</b>	
<b>RJV - Accounting lines</b>			
CT - 3125 - Expenses - Imports		10,342.16	
DT - 7654 - Input VAT imports	10,342.16		
Correction of VAT on imports			

## 11. Foreign electronic services

Universities are required, in terms of section 7(1)(c), to account for output tax at the standard rate of the supply of services acquired by universities from a supplier who is not a resident or carries on business outside of the Republic (foreign services) to the extent that the services applied for an exempt or non-taxable purpose

From 1 April 2014, all foreign suppliers of electronic resources (as defined in section 1(1) and prescribed by the Minister by regulation) supplying electronic services to South African customers, are required to register as VAT vendors and levy VAT at the standard rate on all supplies made to South African customers. Universities will not be required to account for VAT on imported services in relation to these supplies from such foreign suppliers who have registered for and levied VAT in relation to these supplies

The definition of “electronic services” according to section 1(1) of the VAT Act means those services prescribed by the Minister by Regulation as set out in the VAT Act. In simple terms, “electronic services” refers to electronic or digital content supplied by electronic means, for example, via the internet or other telecommunications service.

The definition of an “enterprise” according to section 1(1) of the VAT Act includes the following:

- The supply of electronic services by a person from an export country where two of the following criteria are met:
  - The recipient of the electronic services is a resident of SA; or
  - The payment to the foreign electronic service entity originates from a bank registered or authorised in terms of the Banks Act 94 of 1990;
  - The recipient of the electronic services has a business, residential or postal address in SA.

Therefore, VAT on any online subscriptions, electronic databases, periodicals, and e-books that comply with the definition of electronic services needs to be accounted for accordingly.

This mainly applies to the Library in a University environment.

In case where the Vendor is not registered for VAT in South Africa the University is obligated to declare Output VAT on the total amount paid to the foreign vendor. Input VAT may also be claimed in such instances (essentially the service was imported, albeit electronically). Should a foreign vendor be VAT registered in South Africa, the University will not be liable to account for imported Services VAT (Output VAT) seeing that the vendor has an obligation to declare this VAT to SARS, the University may claim Input VAT.

In 11.1 and 11.2 it is explained how to account for VAT for the two different scenarios – when a Foreign Vendor is not registered for VAT in SA and when a Foreign Vendor is registered for VAT in SA – will be explained.

### 11.1. The vendor is not registered for VAT in SA

The transaction highlighted in pink relates to a foreign vendor who is not registered for VAT in SA, the invoice is shown below:

Chart:		NW - NORTH-WEST UNIVERSITY										
Organization:		3512 - NWU LIBRARY AND INFORMATION SERVICES (LIS)										
Account:		1G01328 - (3512) LIBRARY RESOURCES										
Transaction Date From:		01-12-2022	Transaction Date To: 31-12-2022									
Account Group:		50055 - NWU LIBRARY AND INFORMATION SERVICES (LIS)										
SOF:		1	VAT: Apportionment - 12.50%									
COA	Sub Account	Project	Transaction Date	Creation Date	Line Description	Vendor / Customer / Payee	Origin Code	Doc Nbr	Doc Type	Invoice	PO Doc Ref Nbr	Amount
Object: 3452 - D-ELECTRONIC DATABASES						Object Type: EX		VAT: Standard - 15.0%				
Balance Till 01-12-2022												13,938,126.27
NW.1G01328.3452			05-12-2022	02-12-2022	<VATI-D> SANLIC INV # INV-12313	SANLIC (AD HOC NO PO)	01	9339777	DVCA	INV12313		175,685.64
NW.1G01328.3452			05-12-2022	02-12-2022	<VATR-1> SANLIC INV # INV-12313	SANLIC (AD HOC NO PO)	01	9339777	DVCA	INV12313		-2,864.44
NW.1G01328.3452			07-12-2022	05-12-2022	<VATI-D> JUTA INV # 16671304	JUTA AND COMPANY LTD (CRED)*	01	9342686	DVCA	16671304		445,869.00
NW.1G01328.3452			07-12-2022	05-12-2022	<VATR-1> JUTA INV # 16671304	JUTA AND COMPANY LTD (CRED)*	01	9342686	DVCA	16671304		-7,269.60
NW.1G01328.3452			07-12-2022	05-12-2022	<VATI-D> 01-25191217: PHARMACEUTICAL PRESS INV # 10200015582 GBP 14 679.87	PHARMACEUTICAL PRESS	01	9344555	ND			314,359.57

Pharmaceutical Press (PP)  
www.pharmpress.com

**INVOICE**  
Invoice No: 10200015582

Invoice to Id: 70581  
Customer Name: North West University  
Contact No: 27 18 299 2000

Invoice Date: 08-Nov-2022  
Customer Id: 70581  
Cust Order Ref:  
PHP Vat No: 233 0296 92

Payment Term: 30 days  
Due Date: 08-Dec-2022  
Cust VAT No.: 4500209301  
Please supply VAT No if applicable

Invoice Address:  
North West University  
Institutional Office  
Private Bag X1290  
Pretoriusburg ZAF  
2520 SOUTH AFRICA

Delivery Address:  
North West University  
Institutional Office  
Private Bag X1290  
Pretoriusburg ZAF  
2520 SOUTH AFRICA

Is your address correct? Please advise us if any changes required.

Access Type	Number of Issues	ISSN	Title	Type	Sub Start Date	Sub End Date	Price	Discount	VAT	Value	
Academic-Concurrent	999		The Orange Guide (ORGI)	Online	05-Nov-2022	04-Nov-2023	£ 710.17	£ 0.00	£ 0.00	£ 710.17	
Academic-Concurrent	999		Pharmaceutical Excipients (PEX)	Online	05-Nov-2022	04-Nov-2023	£ 659.28	£ 0.00	£ 0.00	£ 659.28	
Academic-Concurrent	999		MRT+ADR+BNF+STK+CTG	Pack	05-Nov-2022	04-Nov-2023	£ 5945.68	£ 0.00	£ 0.00	£ 5945.68	
							Sub Total:	£ 14879.87	£ 0.00	£ 0.00	£ 14879.87

Special Instructions:  
As per clause 8.5 of your subscription licence for MedicinesComplete, all payments must be made in the currency stated in this invoice. We will not accept payment in any other currency. You are responsible for any costs e.g. bank transfer fees or conversion fees should you need to convert currency.

INV OICE TOTAL  
£ 14879.87

For the university to account for the Output and import VAT, the following calculation is done:

### Output VAT (Object 9552)

Invoice amount x 15/100 = Output VAT to be paid over to SARS

### Import VAT (Object 7654)

Invoice amount x 15/115 x 12.5% = Import VAT to be claimed from SARS

Therefore the calculation will be done as follows:

R 314 359.57 (Invoice amount) X 15/100 = R 47 153.94 (Output VAT to be paid)

R314 359.57 (Invoice amount) X 15/115 X 12.5% = R 5 125.43 (Import VAT to be claimed)


The corrective RJV entries would be as follows:

CR	3452		R47 153.94
	CR	9552	R47 153.94
DR	7654		R 5 125.43
CR	3452		R 5 125.43

## 11.2. The vendor is registered for VAT in SA

The transaction highlighted in green relates to a foreign vendor who is registered for VAT in SA, the invoice is shown below. The VAT registration number of the Foreign Vendor will be clearly indicated on the invoice:

Chart:		NW - NORTH-WEST UNIVERSITY				Account Group:		50055 - NWU LIBRARY AND INFORMATION SERVICES (LIS)				
Organization:		3512 - NWU LIBRARY AND INFORMATION SERVICES (LIS)				SOF:		1 VAT: Apportionment - 12.50%				
Account:		1G01328 - (3512) LIBRARY RESOURCES				Transaction Date From:		01-12-2022 Transaction Date To: 31-12-2022				
COA	Sub Account	Project	Transaction Date	Creation Date	Line Description	Vendor / Customer / Payee	Origin Code	Doc Nbr	Doc Type	Invoice	PO Doc Ref Nbr	Amount
Object: 3452 - D-ELECTRONIC DATABASES Object Type: EX VAT: Standard - 15.0%												
Balance Till 01-12-2022 13,938,126.27												
NW.1G01328.3452			05-12-2022	02-12-2022	<VATI-0> SANLIC INV # INV-12313	SANLIC (AD HOC NO PO)	01	9339777	DVCA	INV12313		175,685.64
NW.1G01328.3452			05-12-2022	02-12-2022	<VATR-1> SANLIC INV # INV-12313	SANLIC (AD HOC NO PO)	01	9339777	DVCA	INV12313		-2,864.44
NW.1G01328.3452			07-12-2022	05-12-2022	<VATI-0> JUTA INV # 16671304	JUTA AND COMPANY LTD (CRED)*	01	9342686	DVCA	16671304		445,869.00
NW.1G01328.3452			07-12-2022	05-12-2022	<VATR-1> JUTA INV # 16671304	JUTA AND COMPANY LTD (CRED)*	01	9342686	DVCA	16671304		-7,269.60
NW.1G01328.3452			07-12-2022	05-12-2022	<VATI-0> 01-25191217: PHARMACEUTICAL PRESS INV # 10200015562 GBP 14 879,87	PHARMACEUTICAL PRESS	01	9344555	ND			314,359.57
NW.1G01328.3452			07-12-2022	05-12-2022	<VATI-0> 01-25191217: CAMBRIDGE UNIVERSITY PRESS INV # 98425051 GBP 24 002,41	CAMBRIDGE UNIVERSITY PRESS UK	01	9344614	ND			508,587.07
NW.1G01328.3452			08-12-2022	02-12-2022	<VATI-0> 01-25191217: UNWTO INV # 3249 EUR 500.00	UNWTO	01	9341126	ND			9,173.65
NW.1G01328.3452			08-12-2022	08-12-2022	<VATI-0> 01-25191217: AMERICAN MATHEMATICAL SOCIETY INV # SXH23-POTCLIBPOT USD 12160,51	AMERICAN MATHEMATICAL SOCIETY (AMS)	01	9346463	ND			211,877.43



## Tax Invoice

Invoice No.: SXH/23-POTCLIBPOT  
Original Invoice Date: 11/28/22  
RE SANLCONCEN

P.O. Box 845904  
Boston, MA 02284-5904  
Phone: (401) 455-4000  
Fax: (401) 331-3842

Vendor SA VAT number

AMS SA VAT - 4580266429

---

**BILL TO:**  
North-West University-Potchefstroom  
Dir Library Services  
Ferdinand Postma Libr, Private Bag  
Potchefstroom 2522  
So Africa

**SHIP TO:**  
North-West University-Potchefstroom

NWU VAT number

VAT: 4500209301

QUANTITY	DESCRIPTION	AMOUNT	PAYMENTS
1	To provide access to MathSciNet database 1/1/2023 - 12/31/2023:		
1	Consortium Database Fee	\$10,574.36	
1	Consortium MathSciNet Fee (MSN)	\$0.00	
	15% VAT Tax	\$1,586.15	
<b>Total Due (USD):!</b>		<b>\$12,160.511</b>	

1014.8770.  
eb.

---

Please return a copy of this invoice with your payment. All payments should be sent in USDollars.

Instructions for sending Wire Transfers:  
Citizens Bank, 1 Citizens Drive, Riverside, RI 02915  
Swift Code CTZIUS33  
ABA #: 011-500-120  
Account name: American Mathematical Society  
Account#: 1107802021  
AMS Tax ID #050264797

Make all checks payable to: American Mathematical Society.  
If you have any questions concerning this invoice, please call Shirley Hill  
at (401) 455-4142 or inquire by e-mail to [sxh@ams.org](mailto:sxh@ams.org).  
*Thank You!*

### Import VAT (Object 7654)

Invoice amount x 15/115 x VAT recovery rate on the account = Import VAT to be claimed

Therefore the calculation will be done as follows:

R 211 877.43 (Invoice amount) X 15/115 X 12.5% = R 3 454.52 (Import VAT to be claimed)

The corrective RJV entries would be as follows:

DR	7654		R 3 454.52
	CR	3452	R 3 454.52

**NOTE: If the University's VAT registration number is not on the invoice – No VAT may be claimed**

## 12. Research Collaboration and Sub-contracting

Universities often collaborate with each other on research projects.

For the supply to be subject to VAT (either standard or zero rated) there needs to be a supply of good and/or services for consideration

- **Collaborative research agreements**

Where research funding is awarded to a consortium of multiple parties collaborating, each collaborating party receives the funding directly from the funder, via the agent who is normally the main applicant (Hub).

The award is typically paid by the funder to the main applicant who is then required to disburse the funding to each of the participating parties. However, as each party's contract is with the funder and not the main applicant, the funds disbursed to the parties is not regarded as consideration paid for a supply and no VAT applies.

In case where the NWU is the Hub, we will issue the Invoice on the income object that was linked when the Account was open. As soon as the invoice is final and reflects on the GL, a **Journal Voucher (RJV) must be written in the same month to object 9709 – Creditors other** to reallocate the income of the other Universities/Collaborators to this object. The only income that should remain on the income object should be the income of the NWU according to the contract deliverables.

The payments to the other Universities/Collaborators must then be made out of object 9709, which is used as a control account and that should have a 0 balance at the end of the contract.

In case where the NWU is one of the collaborators, therefore not the Hub, there will also be no VAT applicable on the income and therefore also on the NWU Invoice that is issued to another University.

- **Subcontracting**

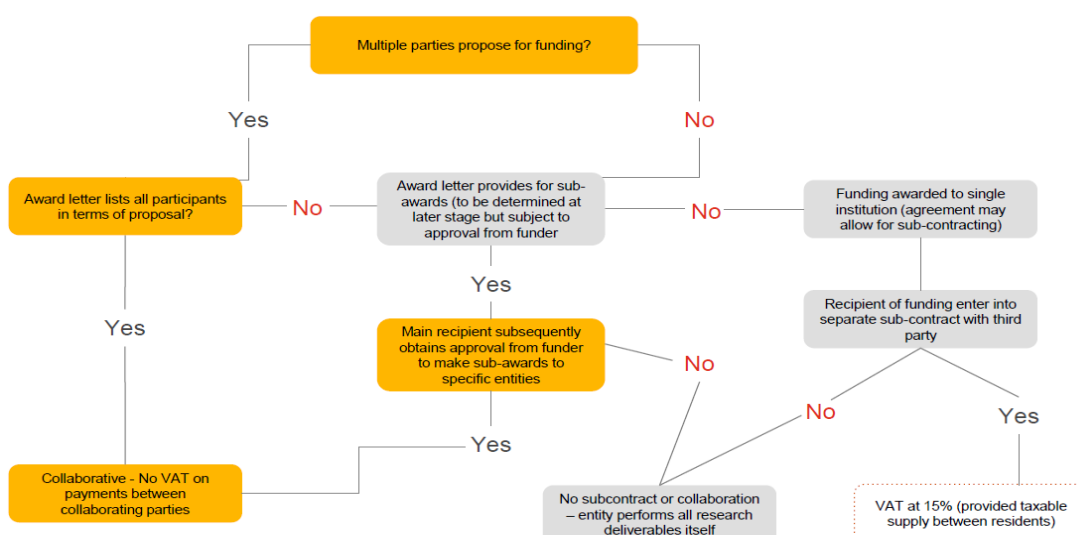
Sub-contracting arrangements, refer to a scenario where a single institution is awarded funding or has responded to a proposal process and the agreement is entered into between

the funder and the institution. The single institution is responsible for the end-to-end delivery of the project.

During the process (and provided that the agreement with the funder allows for this), the recipient institution decides to sub-contract the project in part or in full due to capacity constraints or a specific skill being required from a third party. The institution enters into a separate agreement with the third party agreeing the deliverable and consideration.

In this instance, the single institution remains responsible for the delivery of the project regardless of the subcontracting input. Accordingly, the supply by the third party to the institution is considered to be consideration for the supply of goods and/or services and therefore subject to VAT (if both parties in South Africa, VAT at 15% will apply). These payments must be made from object 2056 - Professional fees.

## Decision Tree



### 13. Insurance claims regarding NWU Vehicles and Rental Vehicles

Depending on the type of vehicle that is applicable, NWU owned vehicles or rental vehicles, shall determine the handling of VAT on insurance claims that the NWU received.

Definitions according to the VAT act will assist in the determining on if VAT will be applicable or not when an insurance claim is received for the write off or theft of a NWU owned vehicle.

The definition of a “motor car” is defined in section 1(1) of the VAT Act as a motor car, station wagon, mini bus, double cab light delivery vehicle and any other motor vehicle of a kind normally used on public roads, which has three or more wheels and is constructed or converted wholly or mainly for the carriage of passengers.

The aforementioned five categories are explained below:

- The first category refers to a motor car which is defined as “a road vehicle, typically with four wheels, powered by an internal-combustion engine and able to carry a small number of people”.<sup>1</sup> In addition, in *Mincer Motors Ltd v Commissioner of Customs 1958 1 SA 652 (T)*



the court confirmed that “an essential connotation of the idea of a “motor car” is that it is a vehicle which is designed for carrying passengers as distinct from goods”. In light of this, the term “motor car” includes ordinary coupe (hatch-back), sedan type passenger vehicles and sport utility vehicles (SUVs) which are designed for the carrying of passengers.

- A station wagon is a car with a longer body than usual, incorporating a large carrying area behind the seats and having an extra door at the rear for easy loading.
- A minibus is a small bus which accommodates 10 to 15 passengers.
- A double cab light delivery vehicle is a four wheel pick-up truck with four doors and a reduced load capacity to accommodate up to five people.
- Any other motor vehicle of a kind normally used on public roads, which has three or more wheels and is constructed or converted wholly or mainly for the carriage of passengers, will generally encompass a vehicle which falls outside of the first category because it is not designed for the carriage of passengers only. As a result, vehicles which cast doubt as to whether they are designed for the carriage of passengers must be subjected to a test to determine whether they are designed wholly or mainly for the carriage of passengers. Vehicles with these characteristics include panel vans, club cabs, single cab light and heavy delivery vehicles. This category was the subject of a court case.

The definition of a ‘motor vehicle’ includes all vehicles designed primary for the purpose of carrying passengers. The definition covers ordinary sedans, hatchbacks, multi-purpose vehicles and double cab bakkies. Can transport a total passengers less than 16.

A single cab bakkie or a bus designed to carry more than 16 persons will qualify for input VAT purposes will be considered not as a passenger vehicle but a commercial vehicle.

The following are considered commercial vehicles – vehicles weighing at least 3500kg or more, able to haul at least 1000kg of cargo for business purposes, lorries, vans, tractors, pickup trucks and car-derived vans, motorcycles. Primary purpose is not to transport passengers.

In the case of an insurance claim is received for an NWU vehicle, it must first be established whether the vehicle complied with the definition of a motor vehicle. If it is a motor vehicle as defined in the VAT act then it is seen as a Passenger vehicle and no VAT is applicable on the insurance claim received. The reason for this is no Input VAT could be claimed when the passenger vehicle was original bought by the NWU.

When an insurance claim is received for an NWU vehicle and does not fall under the definition of a motor vehicle and therefor a commercial vehicle then the NWU is obligated by law to pay Output VAT on the insurance claim received, because the NWU would have claimed Input VAT when the vehicle was originally bought.

In case where insurance claims are received for damage of a rental vehicle the NWU is only obligated by law to account for VAT at an apportionment rate of 12.5% on the insurance claim received.