

SARS issues new mandatory requirement for businesses in South Africa



South African VAT vendors have been reminded of the new compliance rules, which include mandatory VAT apportionment reporting to SARS.

This is according to tax experts at ENS, Africa's largest law firm with over 600 practitioners and more than 200 years' experience.

The South African Revenue Service (SARS) has introduced a new compliance obligation for VAT vendors through Binding General Ruling 16 (BGR16) Issue 3, published on 27 November 2023.

This updated ruling, which replaces Issue 2, applies to all financial years beginning on or after 1 January 2024.

It sets out the standard turnover-based method for determining a vendor's annual apportionment ratio but also introduces new exclusions, adjustments, and a mandatory reporting requirement that vendors cannot afford to ignore.

A key feature of Issue 3 is the introduction of a compulsory "true-up" adjustment.

The experts explained that vendors who use the previous year's turnover to calculate the current year's apportionment ratio must adjust for any differences between the provisional and final ratios within nine months of their financial year-end.

This true-up adjustment is included in the vendor's month eight VAT return, which is due at the end of month nine.

For example, a vendor with a financial year ending 31 December 2024 will need to reflect its true-up adjustment in the August 2025 VAT return, due by the last business day of September 2025 if filed via e-filing.

Failure to make this adjustment exposes vendors to compliance risks and possible penalties. In addition to the adjustment, vendors now face a new mandatory reporting requirement.

Note 8 of Issue 3 obliges vendors to submit detailed VAT apportionment information to SARS at the same time the true-up adjustment is reflected in their VAT return.

This submission must be made by email to the address specified in the ruling and must include the vendor's registered name, VAT registration number, the apportionment method and formula applied, and the annual apportionment ratio for the year.

How to remain compliant



Importantly, ENS added that vendors applying the new formula for the first time must also provide SARS with the apportionment methods and ratios for the preceding three financial years.

For instance, a vendor with a December 2024 year-end will, in September 2025, need to submit its 2024 apportionment details together with the ratios and formulas for 2021, 2022, and 2023.

This requirement adds a layer of historical reporting that many businesses may not have anticipated.

The changes brought by Issue 3 are particularly relevant for businesses with mixed supplies, where both taxable and exempt activities are involved.

The law firm stressed that the new exclusions and adjustments to the apportionment calculation could significantly alter the ratio, making accuracy even more critical.

Vendors must calculate and apply the true-up adjustment correctly and ensure that the supporting information submitted to SARS is complete and accurate.

Tax specialists have warned that the additional obligations may increase the compliance burden on vendors, particularly smaller businesses with limited resources.

Given the technical nature of VAT apportionment, vendors are strongly advised to seek guidance from experienced tax practitioners.

The introduction of BGR16 Issue 3 aims at improving compliance and tightening reporting standards for VAT vendors.

From January 2024, all vendors must adapt to these rules, with the first round of true-up adjustments and mandatory reporting due in September 2025.

ENS noted that businesses that act early, keep detailed records, and consult with tax experts will be best positioned to remain compliant and avoid unnecessary disputes with SARS.