

REPUBLIC
OF
SOUTH AFRICA



REPUBLIEK
VAN
SUID-AFRIKA

Government Gazette Staatskoerant

Vol. 409

PRETORIA, 2 JULY
JULIE 1999

No. 20274

GENERAL NOTICE

NOTICE 1490 OF 1999

SOUTH AFRICAN REVENUE SERVICE

VALUE-ADDED TAX: IRREGULARITIES IN RESPECT OF VAT WITHIN THE LIVESTOCK AND MEAT INDUSTRY

As a result of widespread irregularities in respect of value-added tax within the livestock, meat and related industries, it became necessary to take steps to minimise losses to the fiscus as well as disruptions in the market as a result thereof.

Initially, after consultation with the various stakeholders within the industry, the South African Revenue Service (SARS) initiated an arrangement whereby owners of abattoirs, market agents and auctioneers were declared as agents of the various farmers and producers as from 1 April 1998. Due to the fact that numerous unforeseen problems were experienced, it was decided that this arrangement should be amended. Accordingly, amendments were made to this arrangement to the effect that the supply of livestock between registered South African VAT vendors would be permitted at the zero rate of VAT as from 1 May 1998, and that VAT would only be paid by the first seller of meat or meat related products.

However, the continued evasion of VAT within the meat and livestock industry, including the evasion of VAT relating to the importation of meat and livestock products, compelled the Commissioner for SARS to appoint a Special Investigating Unit with, *inter alia*, a mandate to determine the feasibility of maintaining the current *status quo*, i.e. the zero-rating of livestock, subjecting the latter to VAT at the standard rate or a hybrid scenario thereof.

Resulting from this Unit's proposals it has been decided that:

- The permission granted to South African vendors to supply livestock at the zero rate as contemplated in the Media Release of 1 May 1998 is withdrawn with effect from 1 July 1999. Accordingly, the supply of livestock by a vendor will in terms of the provisions of section 7(1)(a) of the Act, be subject to VAT at the standard rate as from 1 July 1999.
- As stated in Media Release No. 14 of 1998, effective from 4 January 1999, the importation of livestock has been permitted free of VAT where the livestock is being supplied to a VAT registered vendor. As the domestic supply of livestock by South African vendors will be subject to VAT at the standard rate as from 1 July 1999, it follows that the importation thereof also becomes subject to VAT at the standard rate. As a result, Media Release no 14 of 1998 is herewith withdrawn as from 1 July 1999. The importers of livestock must therefore make provision for the payment of VAT on imports.
- The permission granted to all persons operating within the meat industry (i.e. producers, feedlots, abattoirs, auctioneers, agents, etc.) regarding self-invoicing is also withdrawn as from 1 July 1999. Therefore, in terms of the provisions of section 16(2) read with sections 20(4) and 20(5) of the Value-Added Tax Act, 1991, a registered vendor will not be entitled to claim an input tax deduction in respect of the acquisition of livestock, meat and/or meat relating products unless such purchase is supported by a valid tax invoice issued by the supplier/producer thereof. This requirement is, however, restricted only insofar VAT is concerned. Consequently, vendors may still choose to adopt the self-invoicing system for accounting and control purposes should they wish to do so. It should be noted that Receivers of Revenue will be instructed to ensure that such compliance is strictly adhered to.

- Agents and auctioneers are reminded that they are required to maintain sufficient records and documentation, irrespective whether the principal is a registered vendor or not, to enable the name, address and registration number (if registered as a vendor) of such principal to be ascertained. Failure to do so will result in prosecution and the raising of taxes and penalties under the Act.
- All producers, agents and abattoirs registered as vendors must ensure that they are registered under the correct tax period categories. Only vendors whose enterprise (or a separately registered branch thereof) consists solely of farming activities with the total value of taxable supplies in any period of 12 months not exceeding R1 million, may remain registered as category D, (6 monthly) vendors.

The public is reminded that any person, be he the seller or buyer of goods, involved in tax evasion is subject to prosecution. Any information regarding the evasion of tax can be reported by phoning the SARS Hotline at 0800 00 28 70.

The new arrangements have been agreed to after consultation with all stakeholders in the livestock and meat industries.

ISSUED BY: The Commissioner for the South African Revenue Service
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