

AULA



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News Letter

AULA RENTALS
Sectional Title Management
and
Property Rental Specialists

March 2018
www.aulaprop.co.za

Property Rentals

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Visit the Aula offices in:

CENTURION: 012 665 5111

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RENTALS IN CENTURION:

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Magda Uys: 082 459 5403
Ronel Tredoux: 082 460 4654

RENTALS IN CENTURION GOLF ESTATE:

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HERITAGE HILL ETC:

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Amanda van den Bergh: 082 772 5487
Ronel Tredoux: 082 460 4654

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Drafted by:

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PRACTICAL CONSIDERATIONS OF THE VAT RATE INCREASE AS OF 1 APRIL 2018

On 21 February 2018, the Minister of Finance announced in his Budget Speech that the standard rate of VAT of 14% would be revised upwards to 15%, as of 1 April 2018, in line with Government's drive to raise additional revenue. The ramifications of the VAT rate increase need to be considered by suppliers as it will impact on the correct amount of output VAT declared to SARS (taking into consideration that there may be supplies made before/on/after 1 April 2018). The issue of long-term contracts must also be considered. Applying the correct VAT rate is important as the output VAT liability to SARS is ultimately that of the supplier of the goods or services. If the correct rate is not applied, this would result in a commercial loss for the supplier and penalties and interest being imposed by SARS.

Long-term contracts and agreements entered into before 1 April 2018

The VAT Act contains a rule for long-term contracts or contracts/agreements entered into before the effective date of the VAT rate increase (i.e. 1 April 2018) but for which supplies would also be made on/after 1 April 2018. The supplier is entitled to recover the additional amount of VAT on account of the VAT rate increase, as long as the contract/agreement does not specifically prohibit such amounts from being recovered. A supplier/vendor needs to review existing agreements entered into as this may increase the total contract price for goods or services provided. In the event that the agreement specifically prohibits the new VAT rate from being charged, the supplier still needs to pay output VAT at the new rate (i.e. 15%) to SARS.

Transitional rules for the VAT rate increase

The VAT Act also contains "transitional rules" for the increase in the VAT rate. These rules are very specific and at times can become esoteric - nonetheless, the rules have to be considered and, if applicable, the output VAT must be determined accordingly. Notwithstanding the fact that a specific transitional rule may apply, a vendor must still declare output tax to SARS in the tax period in which the normal time of supply rule is triggered. The general time of supply rule is the earlier of the time: (i) an invoice is issued by the supplier or recipient; or (ii) any payment of consideration is received by the supplier.

The transitional rules define when goods are deemed to be provided (i.e. when they are delivered to the recipient) but does not define when services are deemed to be performed. This may lead to differences in interpretation and application. For goods supplied under a rental agreement, such goods are deemed to be provided when the recipient takes possession or occupation thereof.

The Legal Corner



Further, where the goods consist of fixed property supplied by sale and transfer is effected by registration in the Deed's registry, the property is deemed to be delivered to the person when such registration is effected.

The issuing of debit and credit notes

Although not part of any transitional rule, a vendor must pay special attention to the issuing of debit and credit notes as the adjustments must be done at the correct VAT rate. Once again, the general time of supply rule must be considered and the adjustment must be done accordingly (i.e. when that original supply took place and for which an adjustment is made on/after 1 April 2018, via the issue of a debit or credit note).

The transitional rules may be cumbersome to apply and may present practical difficulties. However, any lapse in applying the correct cut-off dates stipulated in the transitional rules may lead to penalties and interest being levied by SARS.

Credit: Seelan Moonsamy, Tax Consultant at Baker McKenzie Johannesburg, www.fanews.co.za ■

The staff of Aula Rentals wishes you a peaceful and blessed Easter!

