

BINDING GENERAL RULING (VAT): NO. 15 (Issue 2)

DATE: 31 March 2014

ACT : VALUE-ADDED TAX ACT NO. 89 OF 1991
SECTION : SECTIONS 20(2) AND 21(4)
SUBJECT : RECIPIENT-CREATED TAX INVOICES, CREDIT AND DEBIT NOTES

Preamble

For the purposes of this ruling –

- “**BGR**” means a binding general ruling issued under section 89 of the TA Act;
- “**section**” means a section of the VAT Act unless otherwise stated;
- “**TA Act**” means the Tax Administration Act No. 28 of 2011;
- “**VAT Act**” means the Value-Added Tax Act No. 89 of 1991; and
- any word or expression bears the meaning ascribed to it in the VAT Act.

1. Purpose

This BGR provides the approval for the issuing of recipient-created tax invoices, credit and debit notes (also known as self-invoicing).

2. Ruling

This ruling constitutes a BGR issued under section 89 of the TA Act.

A tax invoice, credit or debit note issued by a supplier in respect of a taxable supply for which a recipient has been granted approval to issue a recipient-created tax invoice, credit or debit note, as set out in **2.1** and **2.2** below, shall be deemed not to be a tax invoice, credit or debit note for the purposes of the VAT Act.

2.1 Tax invoices

The Commissioner’s approval is hereby granted to vendors to issue recipient-created tax invoices, where the recipient –

- determines the consideration for the supply of the goods or services; and
- is in control of determining the quantity or quality of the supply, or is responsible for measuring or testing the goods sold by the supplier.

2.2 Credit and debit notes

A vendor that has been granted approval in terms of **2.1** to create and issue recipient-created tax invoices is hereby granted approval by the Commissioner to create and issue recipient-created credit and debit notes relating to the recipient-created tax invoices issued.

2.3 Conditions for Commissioner's approval

The approval set out in 2.1 and 2.2 is conditional upon the recipient, being a vendor,–

- (a) acquiring and retaining proof of the supplier's VAT registration number;
- (b) entering into an agreement with the supplier that the supplier shall not issue a tax invoice, credit or debit note in respect of any taxable supply to which the approval applies;
- (c) issuing a recipient-created tax invoice that complies with the provisions of section 20(4) or (5) or a credit or debit note that complies with the provisions of section 21(1) and (3), as the case may be;
- (d) providing the recipient-created tax invoice, credit or debit note to the supplier and retaining a copy thereof;
- (e) issuing the recipient-created tax invoice within 21 days from the date of the supply being made; and
- (f) retaining a copy of the recipient-created tax invoice, credit or debit note for the period contemplated in section 29 of the TA Act and section 55 of the VAT Act.

3. General

Vendors failing to comply with the criteria stipulated in this BGR may apply in writing for approval to issue recipient-created tax invoices, credit and debit notes by sending an e-mail to **VATRulings@sars.gov.za** or by facsimile to 086 540 9390. In this regard a clearly motivated application complying with the provisions of section 79 of the TA Act, excluding sections 79(4)(f), (k) and (6), accompanied by the prescribed VAT301 form, must be submitted. These applications must –

- (a) describe the nature of the businesses respectively carried on by the supplier and the recipient;
- (b) provide a full description of the supplies in respect of which the issuing of the recipient-created tax invoices, credit and debit notes are required;
- (c) specify the existing invoicing procedures being followed for such supplies as well as the proposed procedures for issuing the recipient-created tax invoices, credit and debit notes;
- (d) include an undertaking by the recipient that the recipient will comply with the requirements of sections 20(2) and 21(4);
- (e) include an undertaking by the recipient that the recipient will enter into an agreement with the supplier that the supplier shall not issue a tax invoice, credit or debit note in respect of the taxable supplies in question; and
- (f) state the difficulties experienced in complying with the requirements set out in this BGR.

4. Period for which this ruling is valid

This BGR applies with effect from 1 April 2013 and will apply for an indefinite period.

Group Executive: Interpretation and Rulings
Legal and Policy Division
SOUTH AFRICAN REVENUE SERVICE
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