

BINDING GENERAL RULING (VAT): NO. 33

DATE: 24 March 2016

ACT : VALUE-ADDED TAX ACT NO. 89 OF 1991
SECTION : SECTION 11(1)(j) AND 13(3), PARAGRAPH 7(a) OF SCHEDULE 1 AND ITEM 14 IN PART B OF SCHEDULE 2
SUBJECT : THE VALUE-ADDED TAX TREATMENT OF THE SUPPLY AND IMPORTATION OF VEGETABLE OIL

Preamble

For the purpose of this ruling –

- “**BGR**” means a binding general ruling issued under section 89 of the Tax Administration Act No. 28 of 2011;
- “**cooking**” means to prepare food for eating with the application of heat;¹
- “**Item 14**” means Item 14 in Part B of Schedule 2 to the VAT Act;
- “**section**” means a section of the VAT Act;
- “**VAT**” means value-added tax;
- “**VAT Act**” means the Value-Added Tax Act No. 89 of 1991;
- “**vegetable oil**” means oil derived from a plant or any fruit of a plant, excluding olive oil; and
- any other word or expression bears the meaning ascribed to it in the VAT Act.

1. Purpose

This BGR sets out the VAT rate applicable to the supply and importation of vegetable oil.

2. Ruling

This ruling constitutes a BGR issued under section 89 of the Tax Administration Act No. 28 of 2011 insofar as it relates to the items listed in **2.1** to **2.3**.

2.1 Zero-rated supplies

The supply of certain vegetable oil (excluding olive oil), is zero-rated under section 11(1)(j) read with Item 14, provided the vegetable oil is marketed and supplied for use in the process of cooking food.

In order for the zero rate to apply, the oil must be a “vegetable oil” that is marketed and supplied for use in the process of cooking food. There is no specific legislation that requires vegetable oil to be labelled as oil for use in the process of cooking food.

¹ Shorter Oxford English Dictionary Sixth Edition Volume 1, Oxford University Press.

As a result, vegetable oil that is normally displayed with other cooking oils will be regarded as being supplied and marketed for use in the process of cooking food.

The vendor must obtain and retain a valid tax invoice substantiating the vendor's entitlement to apply the zero rate² under section 11(3).

2.2 Standard-rated supplies

The supply of vegetable oil in the following instances is excluded from Item 14 and is therefore subject to VAT at the rate of 14%:

- (a) Vegetable oil not marketed and supplied for use in the process of cooking food, for example, coconut oil displayed where toiletries are sold.
- (b) Olive oil.
- (c) Vegetable oil blends that contain olive oil.
- (d) Any vegetable oil to which a standard-rated item has been added, for example, canola oil and butter blend.
- (e) Any of the vegetable oils or blends marketed and supplied as salad dressing.
- (f) Any vegetable oil to which another vegetable, in its natural state or processed, is added for purposes of flavouring, that is, a whole garlic clove or chilli added to canola oil.
- (g) Vegetable oils supplied in the course of carrying out any agreement for the furnishing or serving of any meal, refreshment, cooked or prepared food, as the case may be, so as to be ready for immediate consumption when so supplied.

2.3 The importation of vegetable oil

The importation of vegetable oil referred to in **2.1** is under section 13(3) read with paragraph 7(a) of Schedule 1 to the VAT Act, exempt from the VAT levied under section 7(1)(b).

The importation of vegetable oil referred to in **2.2** is subject to VAT at the rate of 14% under section 7(1)(b).

3. Period for which this ruling is valid

This BGR applies from date of issue until it is withdrawn, amended or the relevant legislation is amended.

Any VAT ruling that would, but for this BGR, allow vendors to supply or import vegetable oil at a rate that is different from the rate prescribed in this BGR is withdrawn with immediate effect.

To the extent that this BGR does not provide for a specific scenario regarding the supply or importation of vegetable oil, vendors may apply for a VAT ruling or VAT class ruling in writing by sending an e-mail to **VATRulings@sars.gov.za** or by facsimile to 086 540 9390. The application should consist of a completed VAT301

² Interpretation Note No. 31, dated 22 March 2013, or as updated, sets out the documentary proof that is acceptable to the Commissioner for the purposes of section 11(3).

form and must comply with the provisions of section 79 of the Tax Administration Act excluding section 79(4)(f), (k) and (6).

Senior Manager: Indirect Taxes
Legal and Policy Division
SOUTH AFRICAN REVENUE SERVICE