**EXSA VAT RULING DIRECTIVE.**

As Members you will be aware of the current debate regarding the application of the SARS VAT Ruling (the Ruling). The Board would like to take this opportunity to update you. It must be borne in mind that EXSA is not, and does not position itself as either an expert or an advisor in regard to legal or tax (among other) matters. In this vein it is strongly advised that you consult your tax advisors or auditors to check that you are applying the principles of the Ruling correctly.

The zero-rating is only applicable within the constraints of the Ruling and is only applicable to transactions for services and moveable goods subject to the conditions and documentary evidence as specified in the Ruling. It is not applicable to the rental of space. It should be stressed that because every business and the operational procedures and processes differ from one company to another, it is not possible to provide general guidance in regards to the Ruling that is applicable to all Members under all circumstances. This underpins the princip~~l~~e that as an Association we caution all Members who apply the zero-rating to take specific advice on how you apply the Ruling.

The Ruling stipulates that the supply of exhibition space is subject to VAT at the standard rate of 14%.

The provision of certain services to foreign entities and the rental of movable goods may be zero-rated provided the criteria of the stipulated provisions of the VAT Act are met. The over-riding criteria under which the Ruling may be applied are:

For the supply of services:

* The recipient entity must not be a resident of South Africa, i.e. it must be a foreign entity that does not carry on any enterprise or other activity in South Africa; and
* The foreign entity must not have any presence in South Africa at the time the services are rendered.

For the rental of movable goods:

* The goods must be rented under a rental agreement;
* The goods must be for use exclusively by an enterprise *operating in an export country, i.e. any country other than South Africa*, and
* The rental payment for the goods must be effected from the export country~~.~~

The required supporting documentation as stipulated in Annexure B to the Ruling must be retained to substantiate the application of the zero rate.

The specific provisions of the VAT Act in terms of which the zero rating may apply are set out in detail in Annexure A to the Ruling, and Members are best advised to consult with your advisors in the event that you require any clarity with regard to the application of the zero rate of VAT.

**THE EXSA OFFICE**