



APPROVED DOCUMENT CONTROL PAGE

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PRACTICE NOTE NO DT-VAT/001-14

VALUE ADDED TAX - REVERSE CHARGE VAT ON THE DOMESTIC SUPPLY OF SUGAR CANE

In exercise of the powers conferred by Section 75(1) of the VAT Act 2011, the Commissioner General issues the following notice.

CITATION

This notice may be cited as Practice Note No. DT-VAT/001-14 on the application of the reverse charge VAT on domestic supply of sugar cane by sugar cane farmers to sugar mills.

SECTION

Section 4 of the VAT Act, 2011 states that tax payable is to be collected and paid by a taxable person making a taxable supply.

PURPOSE:

This practice note seeks to reduce the compliance costs amongst the sugar cane farmers by easing the VAT administrative burden on the part of both the sugar cane farmers, the sugar mills and the SRA, as well as encourage sugar cane farmers to keep records.

DEFINITION

Any word or term used in this Practice Note shall, unless specified otherwise, have the same meaning as defined in the Act.

"Tax invoice" means an invoice in terms of this practice note and not in terms of the Third Schedule of the Act.

"Compliant Taxpayers", means taxpayers who have no current outstanding tax liabilities and tax returns for VAT, PAYE and Income tax.

1. Requirements

This Practice Note will apply to the supply of sugar cane to the sugar mills by sugar cane farmers who are registered for VAT and are required by law to collect and remit VAT.

2. Current Practice

The sugar mills are applying a system of self –invoicing the VAT registered cane farmers and are paying VAT to the cane farmers, who in turn are expected to declare and remit the VAT when they submit their VAT returns.

Self –invoicing means that the issuance of the invoice is not made by the supplier (the cane growers), but the recipient of the goods (the sugar mills)

3. Application of the Practice Note

The sugar mills will, under the reverse charge system, no longer add VAT to the invoices and make payments to the VAT registered farmers. Consequently, the VAT registered sugar cane farmers will not need to account for and pay any VAT on their supplies of sugar cane to the sugar mills, nor will the sugar mills claim input tax on their purchases of sugar cane from these farmers. The sugar mills as recipients of the sugar cane shall issue a special tax invoice to the cane farmers, stating that the supply is covered by this special reverse charge system.

The special tax invoice must include the following statement:

“This tax invoice is issued according the SRA Commissioner General’s Practice Note **DT-VAT/001-14**.The invoice value excludes VAT.

Furthermore, the special tax invoice must show VAT at zero (0) percent and comply with the requirements for tax invoices as set out in the Third Schedule of the VAT Act.

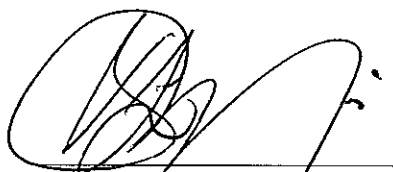
The tax period for the registered sugar cane farmers will change from that of monthly/quarterly to an annual VAT filing period following the sugar cane grower’s income tax year.

The sugar mills application of self-invoicing to sugar cane farmers who are not registered for VAT remains unchanged.

If a VAT registered sugar cane farmer is supplying sugar cane to other than the sugar mills, the reverse charge system covered by this practice note cannot be applied. In this case the sugar cane farmer must issue an ordinary tax invoice and charge VAT on the supply.

Exemption

The sugar cane farmers who are compliant taxpayers will continue with their original tax periods, and will not migrate to annual tax period. The mills will continue including VAT on the payments made to the cane growers who are tax compliant and consequently not affected by this Practice Note. The cane growers' tax compliance will be monitored regularly. Any non-compliance will result in the exemption being withdrawn. SRA will inform the mills as and when non – compliance is discovered for the exemption to withdrawn with immediate effect.



DUMISANI MASILELA
COMMISSIONER GENERAL