

CANDIDATE NUMBER

From: candidate@ihl.co.za
To: elena@scoattorneys.co.za
Subject: VAT registration requirements and information needed

Dear Mrs. Scott

Trust you are well.

Thank you for the Statement of Comprehensive Income for Scott Attorneys for the period ending 31 January 2017 that you provided to me. I have reviewed the statement and have established that you (trading as Scott Attorneys) are indeed required to register for Value-Added Tax (VAT) for the reasons as explained below:

The VAT registration requirements are the following:

- In terms of section 23(1) of the VAT Act No. 89 of 1991 (VAT Act) a person that carries on an **enterprise** and is not registered for VAT, becomes liable to register for VAT at the end of the month during which the total value of the **taxable supplies** for the preceding 12 months exceed R1 million;
- The onus rest on the person to register when it becomes necessary and this must be done within 21 business days after a person become liable for registration (section 22(2)(a) of the Tax Administration Act: 28 of 2011 (TAA)) *or within a further period as SARS may approve in the prescribed manner and form*;
- The person must complete a VAT101 – Value-Added Tax Registration Application form;
- The person must provide further particulars and documents as SARS may require for the purpose of the VAT registration (section 22(2)(c) of TAA);
- A person applying for VAT registration may be required to submit biometric information to SARS to ensure proper identification of the person or to counteract identity theft or fraud (section 22(3) of TAA);
- Where a person that is obliged to register for VAT, fails to do so, SARS may register the person (section 22(5) of TAA).

Before I discuss the application of the above requirements to your business, I would like to briefly explain to you the meaning of the words "enterprise" and "taxable supplies" in bold above.

In terms of section 1 of the VAT Act, an enterprise is defined as

- Any activity
- Carried on continuously or regularly
- In South Africa or partly South Africa
- By any person
- In the course or furtherance of which
- Goods or services are supplied for a consideration
- Whether for profit or not

Scott Attorneys has been continuously and regularly assisting clients in South Africa with the transfer of properties between sellers and buyers. Therefore, Scott Attorneys is carrying on an enterprise.

Mark Allocation Marks Obtained

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Taxable supply means any supply of goods or services which is chargeable with standard rated or zero rated VAT. The transfer fees, correspondence fees and disbursement expenses such as postage received by Scott Attorneys are earned in respect of the supply of conveyance services. Conveyance services are not exempt supplies in terms of the Vat Act and therefore it will form part of Scott Attorney's taxable supplies.

However, as the Department of Rural Development & Land Reform is not VAT registered and Scott Attorneys is merely acting as an agent of the Department of Rural Development & Land Reform in collecting the deeds office fees from the purchasers of properties, the deeds office fees will not form part of Scott Attorney's taxable supplies.

Based on my review of the Statement of Comprehensive Income for Scott Attorneys, you became liable for VAT registration at the end of January 2017 as your taxable supplies exceeded R1 million (R860 980 + R96 171 + R116 171 = R1073 322).

As your taxable supplies are less than R30 million, you will be registered as a category A or B vendor which means that you will have a two monthly VAT period.

We expect that SARS will register you for VAT from 1 January 2017 which will mean that you will be a category B vendor and your first VAT201 return would have been due end of February 2017. Please note that SARS levies penalties of 10% and interest for late payment of VAT. We will however respectfully request SARS to register you for VAT from the date that the application is submitted as we may be able to argue that the transfer fees earned by Scott Attorneys dependent on the market and it is not guaranteed that Scott Attorneys will have taxable supplies for the next 12 months.

Please find attached to this email:

- 1 The VAT101 form that you are required to complete and sign;
- 2 A checklist of information that we require in order to assist you with VAT registration.

We will assist in reviewing the VAT101 form. You will have to submit the application and supporting document in person at your nearest SARS office. I will accompany you to assist where needed.

It is very important that you submit the correct documents with your application. Failing to do so will result in a delay in processing the application.

Note that SARS may request that you attend an interview or may schedule a visit to your business premises.

If you have any questions, please do not hesitate to contact me.

Kind regards

CANDIDATE NUMBER

IRL Incorporated

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Available marks
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IRL Incorporated

Client: Scott Attorneys

Date:

VAT checklist

Mark Allocation **Marks Obtained**

Professional presentation and layout	
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No.	Information Required for Submission/Verification	Please tick (✓) if provided
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1	Completed and signed VAT 101 application form	
2	Financial information of the business to determine the taxable supplies. Examples of financial information include management accounts or trial balance that reflect the taxable supplies of the business for the past 12 months	
3	Certified copy of a valid identity document, driving licence or passport of the individual applicant together with the original identification	
4	Bank details of new bank accounts: original letter from bank not older than one month confirming account holder's legal name, account number, account type, branch code and date that account was opened of which should not be older than one month	
5	Bank details of existing bank accounts: original bank statement not older than 3 months confirming account holder's legal name, bank name, account number, account type, branch code	
6	Business Address: recent copy of the business municipal account or utility bill	
7	Residential Address: recent copy of residential municipal account or utility bill of individual applicant	

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