

VALUE ADDED TAX



Why?:

1. Generate income for the state
2. Broaden the tax base
3. Ease the rate of PAYE

Rate : 14%



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- **STANDARD RATE SUPPLIES**

- Most items at 14%

- **ZERO RATED SUPPLIES**

- Unflavoured milk powder; brown bread; lentils; maize meal



- **EXEMPTED SUPPLIES**

- Educational services; financial services; transport of passengers



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- INPUT TAX

When a vendor is supplied with goods or services by another vendor (purchases of inventory)



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- OUTPUT TAX

When the vendor supplies goods and services to other persons or vendors, VAT must be included in the price.
(Sales)



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VAT PAYABLE TO SARS /
VAT REFUNDABLE BY
SARS:

=

OUTPUT TAX – INPUT TAX



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- TRANSACTION:

2008

Feb 1 Bought merchandise
on credit from XP
Suppliers for R7 410
(VAT inclusive).
VAT at 14%
(periodic inventory)



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DR		PURCHASES				CR	
2008 Feb 1	Creditors		6 500				

DR		CREDITORS				CR	
				2008 Feb 1	Purchases Vat input		6 500 910

DR		VAT INPUT				CR	
2008 Feb 1	Creditors		910				

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- TRANSACTION:

2008

Feb 1 Bought merchandise
on credit from XP
Suppliers for R7 410
(VAT inclusive).

VAT at 14%

(perpetual inventory
system)



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INVENTORY		CR	
Creditors	6 500		

CREDITORS		CR	
	2008 Feb 1	Inventory Vat input	6 500 910

VAT INPUT		CR	
Creditors	910		

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2008

Febr. 4

Sold the merchandise on credit to a customer, P Penny for R11 856.

(VAT incl. at 14%)



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SALES			CR
		2008 Feb 4	Debtors 10 400

DEBTORS		CR
Sales VAT Output	10 400 1 456	

VAT OUTPUT			CR
		2008 Feb 4	Debtors 1 456

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DR		VAT INPUT				CR	
2007 Feb 1	Creditors		910	2007 Feb 28	Vat Control		910

DR		VAT OUTPUT				CR	
2007 Feb 28	VAT Control		1 456	2007 Feb 4	Debtors		1 456

DR		VAT CONTROL				CR	
2007 Feb 28	Vat input Balance	c	910 546	2007 Feb 28	Vat output		1 456
			1 456				1 456
				Mar 1	Balance	b	546